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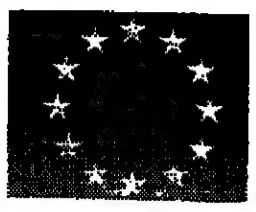
US election — *Your guide to the results* — Pages 4-5

In for a spin — *Clothes-driers turn to microwaves* — Page 14



The single market — *What Europe's smaller businesses can expect* — Page 11

Surveys — ●*Oil and gas industry* Section IV ●*Portugal* Section III

FINANCIAL TIMES

Europe's Business Newspaper — TUESDAY NOVEMBER 3 1992 — D8523A

Major warns rebel MPs not to reject Maastricht motion

UK prime minister John Major warned that rejection of the Maastricht treaty on European union in tomorrow's parliamentary debate could wreck prospects for British economic recovery. The outcome of the debate is still perilously close. Page 18; Tory revolt, Page 9

Creditanstalt attracts GE: Austria has confirmed its interest in selling a 20 per cent stake in Creditanstalt, the country's second largest bank, to General Electric of the US. Page 19

Panic loses vote: The future of Yugoslav prime minister Milan Panic was in doubt after the Belgrade parliament passed a no-confidence motion, signalling Serbian president Slobodan Milosevic's resolve to dominate Yugoslavia. Page 2

Unita weakened: The Angolan government strengthened its hold on Luanda after fighting in which several senior Unita officials were feared dead. Over the past four days more than 1,000 people are believed to have died. Page 18

Investment blow: Mercedes-Benz, subsidiary of Daimler-Benz, is to shelve plans for a DM1bn ($600m) truck factory outside Berlin, in the most serious blow yet to hopes for new investment in former East Germany. Page 18

Yeltsin cracks down: President Boris Yeltsin, struggling to extricate Russia from wars near its borders, declared a one-month state of emergency in the region of North Ossetia. Page 2

Nissan Motor, Japanese carmaker, reported a Y14.3bn ($115m) pre-tax six-monthly loss. The dividend payment was suspended for the first time in the company's history. Page 19

Profits warning at Bayer: Profits at Bayer, one of Germany's big three chemicals companies, will be considerably down this year, the company's chief executive warned. Page 20; Lex, Page 18

Dan-Air takeover cleared: The way has been cleared for British Airways' takeover of Dan-Air, the UK's oldest independent airline, after the UK government's decision not to refer the deal to the monopolies commission. Page 19

Reward increased for Rushdie's death: The reward for killing Satanic Verses author Salman Rushdie has been raised by an unspecified amount above the $2m on offer by an Iranian religious foundation. The move is an apparent response to the writer's plea in Bonn last week for Germany to use its economic might to have the execution order cancelled. The Foreign Office in Britain said the news was "monstrous".

Ghana goes to polls: Ghanaians vote today in presidential elections in which Flight-Lt Jerry Rawlings, who seized power in 1981, hopes to gain a popular mandate for his economic policies. Ghana votes on Rawlings, Page 6

Iata warns of more losses: The airline industry is in an "apocalyptic" state and faces further deficits, bringing total losses over the past four years to nearly $10bn, the International Air Transport Association has warned. Page 6

Singapore group buys UK hotel: The Rank Organisation is to sell London's Gloucester Hotel to Singapore-based property group Hong Leong for £67.5m ($110m) in cash. Page 19

Pact sought: Canadian Airlines is to renew talks for an alliance with American Airlines amid signs that plans for a merger between Canadian and Air Canada are in difficulty. Page 19

Hollywood studio boss quits: Joe Roth, chairman of Twentieth Century Fox, is to resign to form his own film production company at The Walt Disney Studios. Page 21

Magic Johnson retires: Earvin "Magic" Johnson, who has the Aids virus, is to drop out of professional basketball for good because of controversies surrounding his planned comeback.

Six killed in arms depot blast: Six people died in an explosion at a munitions depot in the canton of Berne in the central Swiss alps. The cause of the blast was not immediately known.

Crossed lines: Because of a production error, the prize Crossword in last Saturday's Weekend FT was published in incorrect running order. *This Saturday's Weekend FT will publish the missing solutions to Crosswords 7,979 and 7,996.*

■ STOCK MARKET INDICES		
FT-SE 100:	2,687.8	(+29.5)
Yield	4.48	
FT-SE Eurotrack 100	1,032.82	(+4.35)
FT-A All-Share	1,289.55	(+1.0%)
FT-A World Index	136.34	(same)
Nikkei	16,853.36	(+85.96)
New York:		
Dow Jones Ind Ave	3,262.21	(+35.93)
S&P Composite	422.75	(+4.07)
■ US RATES		
Federal Funds:	$3\frac{3}{16}$%	($3\frac{1}{16}$%)
3-mo Treas Bills: Yld	3.064%	(3.013%)
Long Bond	$95\frac{7}{32}$	($95\frac{18}{32}$)
Yield	7.653%	(7.62%)
■ LONDON MONEY		
3-mo Interbank	$7\frac{5}{8}$%	(same)
Liffe long gilt future:	Dec $100\frac{11}{32}$	(Dec 101)
■ NORTH SEA OIL (Argus)		
Brent 15-day (Dec)	$19.425	(19.3)
■ Gold		
New York Comex (Nov)	$339.9	(340.1)
London	$338.75	(339.65)

■ STERLING		
New York:		
$	1.5345	(1.5562)
London:		
$	1.5315	(1.5625)
DM	2.4025	(2.41)
FFr	8.145	(8.175)
SFr	2.1425	(2.155)
Y	189.75	(192.5)
£ Index	77.9	(78.4)
■ DOLLAR		
New York:		
DM	1.5645	(1.5425)
FFr	5.3015	(5.239)
SFr	1.3980	(1.3755)
Y	123.585	(123.395)
London:		
DM	1.569	(1.543)
FFr	5.3175	(5.2325)
SFr	1.3995	(1.3785)
Y	123.9	(123.25)
$ Index	64.4	(63.7)
Tokyo close Y 123.60		

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr190	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3600	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Peso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils 600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3.20	Lebanon	US$1.25	Portugal	Esc190	UAE	Dh10.00

Note of desperation enters Bush speeches on last day of campaign

Clinton boosted by final polls

By Jurek Martin in Washington

GOVERNOR Bill Clinton took the high road and President George Bush the lower one on the last frenetic day of campaigning before today's US presidential election.

The mood of the Arkansas governor reflected the growing perception that he stands on the brink of becoming the first Democrat to win the White House in 16 years.

In early stops on a final, nine-state, 4,000-mile cross-country marathon starting in Pennsylvania and ending in Colorado, Mr Clinton's message, delivered with what remains of his voice, was that people should vote and do so aggressively.

"Tomorrow, the great mystery of democracy will be played out... when your vote counts just as much as mine or Mr Bush's or anybody else's and when you have a chance to take your country back and reclaim your future," he said.

The contrast with Mr Bush, whose own odyssey covered five states from Pennsylvania to his native Texas, could not have been greater. Sounding increasingly desperate, Mr Bush continued to insult Mr Clinton at every opportunity. He was "the slippery one", "a bozo" totally devoid of foreign policy experience, a man who would bring "economic disaster" to the country.

"Watch your wallets," he told a crowd in New Jersey. "When Bill Clinton is playing that tax-o-phone, middle class Americans will be singing the blues."

His campaign has been frantically trying to peddle to the media all sorts of damaging information against his principal opponent. Among them are unsubstantiated "stories" that further attempts were made to tamper with Mr Clinton's draft records in the 1970s and that films exist of Mr Clinton actually burning an American flag during a London demonstration against the Vietnam war in 1969.

Mr Bush continued to insist that all was not lost. "Put that victory parade on hold, Governor Clinton, because I'm gonna win this election tomorrow," was his refrain. Mr Robert Teeter, his official campaign chairman, said on television yesterday that 25-35 states were still "very competitive".

But the mood of his travelling staff was said to be one of resignation to the inevitable. Mr Bush himself no longer looks at the latest polling data, leaving that to Mr James Baker, his White House chief of staff and senior political adviser.

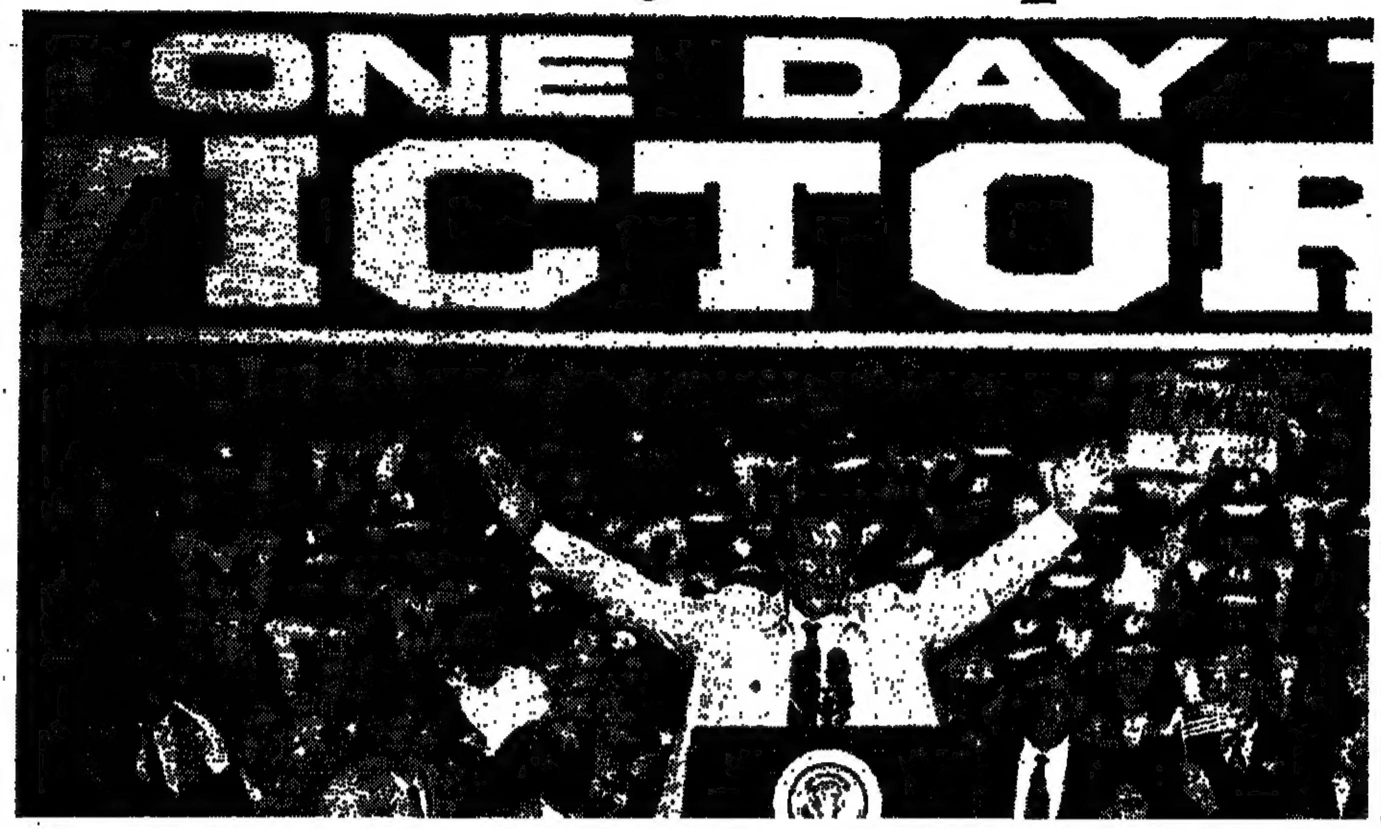
This is understandable given the import of all the final polls yesterday, which gave Mr Clinton national leads of between 8 and 12 points. The final CNN/USA Today poll of likely voters, which had pointed to a narrowing race last week, distributed the undecided element and came up with the figure of 49 per cent for Mr Clinton, 37 per cent for Mr Bush and 14 per cent for Mr Ross Perot, the Texas independent.

The only polling consolation for the President was a survey in Ohio which found he had overtaken Mr Clinton for the first time. All other assessments of the national electoral map assign to Mr Clinton almost enough, or more than enough of the Electoral College votes he needs for victory.

The one wild card remains Mr Perot, whose support is still in double digits in all the polls.

Some pundits think Mr Perot has an outside chance of carrying states such as Alaska and Maine, both with strong independent traditions. But it is mostly a question of whether his supporters will stick by him as a protest vote, stay at home, or cast their lot with Mr Clinton or Mr Bush.

US gets ready to redraw the electoral map, Page 6
The race for Congress, Page 7
Editorial comment, Page 16
Observer, Page 17



One day at a time: President Bush, addressing a rally in Madison, New Jersey, predicts victory in today's US presidential election

GM names new chief and cuts dividend

By Martin Dickson in New York

MR JACK SMITH, who turned round General Motors' European operations in the 1980s, was yesterday appointed chief executive of the struggling American company in a management shake-up. GM also announced it was halving its quarterly dividend from 40 cents a share to 20 cents.

Mr Smith replaces Mr Robert Stempel, who resigned last week as chairman and chief executive under pressure from fellow directors.

Mr John Smale, leader of the revolt by GM's non-executive directors over the company's poor performance, was named chairman at a board meeting in New York which also shook up the ranks of GM's senior management. Three prominent executives closely associated with the old GM regime have taken retirement with Mr Stempel.

The changes follow mounting concern by non-executive board members over severe losses in the group's North American car manufacturing operations and criticism that Mr Stempel was not moving with sufficient urgency to solve the problems.

Mr Smale, 65, is to be a non-executive chairman, breaking a long GM tradition for the offices of chairman and chief executive to be combined.

Mr Smith, 54, who was appointed group president and head of the North American operations in April following a previous board coup, will now be responsible for GM's operations worldwide, including its defence, financial services and information services businesses.

The new division of responsibilities will give a boost to the US movement for better corporate governance – how companies are run – which has long argued that the roles of chairman and chief executive should be split, with the former preferably being occupied by a non-executive.

Another beneficiary of the shake-up is Mr William Hoglund, 58, currently the chief financial officer, who has been elected to the GM board and is to head a new corporate affairs and staff support group. He will assist Mr Smith in managing the troubled North American operations.

Continued on Page 18

Bank of France reduces key interest rates

By William Dawkins in Paris

THE Banque de France yesterday cut its two benchmark interest rates by a quarter of a percentage point and said it had recovered all the reserves it used to support the franc during the currency crisis in September.

The reductions, the first for just over a year, bring the intervention rate, at which the central bank does most of its lending to the banking system, to 9.35 per cent and the five to 10 day repurchase rate, for borrowers of last resort, to 10.25 per cent.

Mr Michel Sapin, the finance minister, said the cuts marked victory in the battle to defend the franc and would encourage consumption, investment and economic activity.

The leading state-owned banks, Banque Nationale de Paris and Crédit Lyonnais, yesterday led a 20 basis-point cut in commercial base rates to 9.65 per cent. They were followed by the private sector Société Générale and Crédit Commercial de France, much earlier than most economic analysts had expected.

Commercial banks had lost heavily in recent weeks because they kept base rates unchanged during a period when money market rates climbed steeply, and were expected to recoup their losses before reducing base lending rates.

"This is obviously a political move," said Mr Christopher Potts, senior economist at Banque Indosuez. "Their arms have been twisted by the treasury. There is a very strong message here – that the government is worried about the economy," he said.

The move could help quell fears among some French businessmen and in some parts of the right wing opposition that the Socialist government's hard franc policy was choking economic growth.

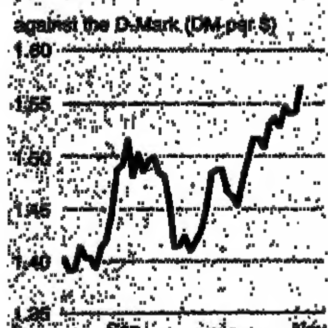
Economic analysts believe the French central bank could drop rates further by the end of the year if the Bundesbank in Germany cuts its rates.

At present French three-month money market rates are 57 basis points above those in Germany. Paris is hesitant to push its rates unilaterally below Germany's because the last time it did so, in October 1991, the resulting pressure on the franc was so heavy

Continued on Page 18
French weaponry secured win in battle for franc, Page 2

Dollar

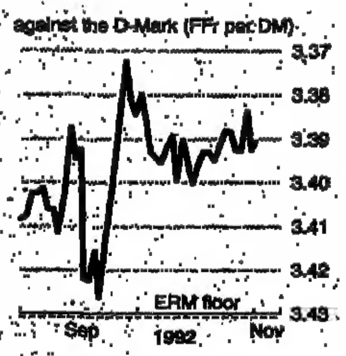
against the D-Mark (DM per $)



Source: Datastream

French Franc

against the D-Mark (FFr per DM)



Rising dollar helps sink pound

By James Blitz, Economics Staff, in London

A SHARP RISE in the US dollar and growing political uncertainty in Britain yesterday pushed sterling to its lowest ever level against its trade weighted index.

The threat of a defeat for Mr John Major, prime minister, in tomorrow's vote on the Maastricht treaty drove the pound to its new mark against the index, which measures the currency against those of Britain's major trading partners. The government has said it will monitor this index in judging how far to cut interest rates.

Sterling also suffered another sharp fall against the US dollar which rose on the strength of the latest polls pointing to a victory for Mr Bill Clinton in tonight's US presidential election.

Against the D-Mark, the dollar closed yesterday in London *nearly three pfennigs higher* against the D-Mark at DM1.5690, a level last seen on June 22 this year.

However, the UK stock market ignored the pound's fall, believing that interest rate cuts are still likely before the end of the year. The FT-SE 100 Index of leading shares rose 29.5 points, to finish at 2687.8.

The US currency's strong performance was aided by poor industrial production figures in Germany, which showed a provisional 2 per cent fall in September. The result increased speculation that the Bundesbank will ease official short-term interest rates, reducing the premium received by investors holding D-Marks.

But the dollar has mainly attracted investors who expect a Clinton victory to bring more US government spending and higher *interest rates that will help push* the dollar upwards.

Against the D-Mark, the dollar closed yesterday in London nearly three pfennigs higher at DM1.5690, a level last seen on June 22 this year.

The pound closed more than 3 cents down on the day in London at $1.53, a level last seen in October 1989. The pound in effect has been devalued by 24 per cent against the US currency since it fetched $2.00 two months ago. Against its trade weighted index, sterling fell to its record low of 77.7, but later closed at 77.9.

Mr Norman Lamont, the chancellor, said recently that increasing attention will be paid to the index in the formulation of monetary policy.

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Currencies, Page 36

CONTENTS

Yeltsin begins clampdown in North Ossetia

By Leyla Boulton and Dmitry Volkov in Moscow

PRESIDENT Boris Yeltsin, struggling to keep Russia free of the small wars which have broken out just over its borders, yesterday declared a one-month state of emergency in the region of North Ossetia, in his first military clampdown within the country.

Parliament, setting aside its usual antagonism towards the government, threw its weight behind the president's decision to ban local political parties which "hinder a settlement", to order rebels to surrender their weapons, and to censor local media.

The decree is to be implemented by an emergency administration appointed by Moscow and backed by thousands of elite troops and ordinary conscripts flown into North Ossetia at the weekend. Full-scale fighting erupted last week when the Ingush ethnic minority began an unofficial military campaign against the Ossetians to regain lands confiscated by Stalin in 1944.

There were conflicting reports from the area yesterday, with authorities in Moscow saying the situation was under control. But local Ossetian officials declared heavy fighting was taking place.

At least three Russian servicemen have already been killed and nine injured in attempts to fend off the Ingush onslaught, with much higher casualties among civilians.

Last autumn, parliament rescinded a presidential decree declaring emergency rule in Chechnya, another section of the mainly Moslem northern Caucasus region, which had declared independence from Moscow.

The Itar-Tass news agency said many deputies to North Ossetia's parliament, meeting in special session, opposed the state of emergency. The speaker, Mr Akhsarbek Galazov, said Mr Yeltsin had not informed him. He called

the move a blow to the region's sovereignty.

But, at a time of much greater political division, Russia's rulers are under pressure to show they can maintain order. Some politicians would even like Mr Yeltsin to impose similar emergency measures on the rest of Russia.

"Russia is not going to lose the northern Caucasus. It is going to take military and diplomatic steps to keep it," said Mr Sergei Stepashin, chairman of parliament's defence and security committee. "We will do everything to avoid a Nagorno-Karabakh type of situation," he said.

"We must use force where the law allows us to do so," said Mr Valentin Stepankov, the procurator-general.

Regarding strained relations with another Moslem enclave, Russian deputies urged Tatarstan to refrain from adopting a constitution which implicitly declares independence from Moscow until a bilateral treaty has been concluded.

● Uzbekistan, the largest central Asian republic, yesterday gave up claims on Soviet assets, in return for Russia taking on its share of the country's foreign debt.

The decision marked a victory for Russia's campaign to take sole responsibility for the debt, but it still has to strike a deal with Ukraine, the second most populous republic. Mr Peter Aven, foreign economic relations minister, said yesterday he still hoped to reach a full rescheduling agreement with western creditors by the end of this year.

Russia to sell off stakes in airports

By Leyla Boulton in Moscow

THE Russian government plans to separate ownership of the country's airports from airlines in a move to promote more efficiency without going as far as privatising the sector.

The plan is to turn 70 airports into joint-stock companies which would remain in state hands and attract some outside investors in the longer term.

This will enable airlines, which will remain subdivisions of Aeroflot, to concentrate on running commercial businesses and allow airports to raise their own revenues and enforce separate regulations.

Mr Leonid Shcheglov, president of the Aeroport Association, which represents the airports, was quoted by Reuters news agency as saying it proposed to hand 30 per cent of shares in the airports to central state bodies, 30 per cent to local authorities and 40 per cent to workers and other investors.

It was not immediately clear how the plan would affect two foreign airlines' agreements to provide modern terminal facilities and set up joint airlines with Russian partners.

Mr Bob Hughes, financial controller for Air Russia, a British Airways' joint venture which hopes to start flights at Moscow's Domodedovo airport next summer, said it was too early to comment on the implications.

Lufthansa, with a similar arrangement at Moscow's main Sheremetievo airport, was also unable to comment.

However, Interfax news agency said that Sheremetievo would for three years remain part of a joint-stock company called Aeroflot-Russian International Airlines, which accounted for 90 per cent of Aeroflot's international flights - suggesting that, in reality, little would change.

● Mr Vladimir Khadannikov, general director of Avtovaz, which makes Lada cars, was elected chairman of a council of industrialists which met yesterday for the first time.

Kohl may seek law on asylum-seekers

By Judy Dempsey in Bonn

GERMAN Chancellor Helmut Kohl may introduce emergency laws to limit the influx of asylum-seekers if the governing coalition and the opposition Social Democratic party (SPD) fail to reach agreement on how to deal with the problem, according to government officials.

SPD officials accused Mr Kohl of planning a coup from above, saying that any new measures limiting the right to asylum would be unconstitutional and would undermine the 1949 Basic Law which says the granting of asylum is a basic right for those who are persecuted. A change in the Basic Law requires a constitutional amendment, which must be approved by a two-thirds majority in parliament, thus needing the support of the SPD.

The SPD, which yesterday said it might support greater controls on the borders, is becoming increasingly divided over the issue in the run-up to its annual conference later this month.

Mr Björn Engholm, the party leader, supports an amendment to the constitution, but grass-roots membersreject this on the grounds that it amounts to supporting those in the ruling coalition who favour new curbs on immigration and refugee status.

The measures proposed by the governing Christian Democrat-led coalition would allow officials the right to reject immediately applicants who cannot prove that they are being repressed or persecuted.

Mr Kohl's proposals coincide with growing pressure on the SPD to take a stand on the immigration issue, and with the publication of figures which showed a record monthly influx of 48,985 foreigners seeking political asylum last month. The number of asylum-seekers fleeing to Germany swelled to 450,000 for the first 10 months of this year, compared with 120,000 in the whole of 1990, and 256,000 in 1991.

The greatest number of asylum-seekers came from Poland and Romania.

Mr Kohl is under pressure from the right wing of the Christian Social Union in the coalition, and from the nationalist Republican party, which want greater curbs on those wishing to seek refuge in, or the right to emigrate to, Germany, even though only 5 per cent of asylum applicants are granted such status.

German officials placed 17 Romanians on a flight back to Bucharest yesterday after they were denied political asylum, but there were no signs of mass expulsions despite a new agreement between the two countries on refugees, agencies report.

A German border police spokesman said it was business as usual, since deportations have taken place even before the pact took effect on Sunday.

It requires Romania to take back citizens who have incomplete identity papers, or who have been denied political asylum in Germany but refuse to leave.

Political crisis stalls Bulgarian debt talks

By Anthony Robinson

BULGARIA'S negotiations for a new three-year extended loan agreement with the International Monetary fund have been put on hold, after the collapse last week of the government led by Mr Filip Dimitrov.

The political crisis has also led to postponement of planned debt re-negotiation talks with commercial bank creditors, who hold the bulk of Bulgaria's $12bn gross foreign debt.

The government resigned last Wednesday night after the ruling Union of Democratic Forces (UDF) coalition had failed to win a confidence vote in parliament against the opposition of former communists and the party representing the ethnic Turkish minority.

Mr Anoup Singh, head of an IMF mission to Bulgaria, was quoted in Sofia as having said he hoped the talks on a three-year agreement would continue with the new government.

But it could be several weeks before a new government can be formed.

The current stand-by arrangement with the IMF is to expire in March 1993. Mr Singh said in September that he hoped a new three-year programme could be established before the expiry.

Mr Ivan Kostov, finance minister in the outgoing government, said negotiations with the advisory committee representing Bulgaria's commercial bank creditors, which were due to start on November 4, had been postponed. He declined to specify a date for the resumption of talks.

A spokesman for Deutsche Bank, which heads the committee representing the commercial banks, said it would be up to Bulgaria to solve its governmental problems - "then we will begin to talk again".

● The head of an IMF mission to Poland said yesterday that he hoped to seal a new deal on co-operation with Warsaw in the next 10 days. "I expect my visit to last about 10 days. I hope that, in that time, it will be possible to conclude an agreement between Poland and the IMF," said Mr Michael Deppler, deputy director of the IMF's european department.

Future of Panic hangs in balance

By Laura Silber in Vienna and Agencies

THE political future of Mr Milan Panic, the Yugoslav prime minister, yesterday hung in the balance after deputies to the Socialist-dominated parliament in Belgrade voted in favour of a no-confidence motion.

The move signalled Serbian President Slobodan Milosevic's resolve to dominate Yugoslavia even at the expense of provoking civil war. After a fiery debate, deputies to the House of Citizens, the lower chamber, voted against Mr Panic by 93 votes to 24. They accused the Belgrade-born Californian pharmaceuticals magnate of serving foreign interests and betraying Serbia.

However, the no-confidence vote requires a majority in both chambers to pass. It was unclear last night when the upper chamber, the 60-member House of Republics which is divided evenly between Serbian and Montenegrin representatives, would vote.

Montenegro, the other member of the reconstituted Yugoslav federation, has backed the prime minister and Mr Dobrica Cosic, the president of Yugoslavia, in their power struggle against Mr Milosevic. But Mr Oleg Golubovic, secretary general of the Radical party which tabled the no-confidence motion along with the Socialists, said he was confident of victory in the upper house.

"I believe the Montenegrin block in the upper house is not united and we will manage to obtain the votes necessary for our motion," he said.

President Milosevic, head of the SPS, has orchestrated the move to oust Mr Panic, who survived a no-confidence vote in September after the intervention of Mr Cosic and with the support of Montenegro.

Mr Panic, however, has won widespread popularity for his promise to get UN sanctions lifted. Mr Panic and Mr Cosic did not attend yesterday's parliamentary session after the Yugoslav president called a meeting of the State Council.

While Mr Panic has pledged to stop the war in Bosnia-Hercegovina, he wields little influence over Bosnia's Serbian leaders, some of whom yesterday said they were pulling out of the international peace talks in Geneva chaired by Lord Owen and Mr Cyrus Vance.

Meanwhile, Moslem and Croat refugees yesterday continued to pour out of the central Bosnian town of Jajce, captured by the Serbs last Thursday, and headed for the nearby Croat-held town of Travnik. United Nations relief officials said at least 35,000 people had made the hazardous journey on foot or in horse-drawn carts in the largest exodus of the war so far.

Elsewhere in Bosnia, Serb forces clashed with the mainly Moslem Bosnian government troops in a broad belt of towns north of Sarajevo. The besieged Bosnian capital, however, was relatively quiet after a weekend of ferocious fighting that coincided with the start of a "week of tranquility" called by the UN children's fund, Unicef.

Residents of Sarajevo prepare to run for cover across a junction under fire from gunmen in the centre of the Bosnian capital

Fabius tries to limit damage of Aids scandal

By David Buchan in Paris

LEADERS of France's ruling Socialist party are seeking constitutional changes to make ministers more answerable to the law, in an attempt to prevent the scandal over Aids-contaminated blood from tainting their party in the run-up to next spring's elections.

Mr Laurent Fabius, secretary general of the Socialist party, has said he wants to clear himself before "an honorary jury" of allegations that responsibility for the infection of some 1,200 haemophiliacs with Aids-infected blood went to the very top of the government he headed in 1984-86.

The sentencing last month of three senior doctors to four-year prison terms provoked an outcry, particularly among the blood transfusion victims and French doctors, that ministers had escaped their responsibility. Mr Fabius, and health ministers in his government, gave evidence in the trial, but under the constitution the only sanction ministers face is impeachment by parliament. Mr Fabius said he would table a constitutional reform scrapping the rarely-used impeachment procedure, except in cases of treason, and applying "ordinary justice to everyone". In the meantime, he was ready to submit himself to the judgment of "an honorary jury of independent personalities". Opposition politicians, who would prefer to impeach Mr Fabius if only they could rally the support, described the "honorary jury" idea as a smokescreen.

● Greece yesterday began an investigation to determine if Aids-tainted French blood products were given to Greek haemophiliacs in late 1985, AP reports from Athens. The investigation comes as several doctors said that nearly 40 per cent of Greece's 1,000 haemophiliacs were probably infected with the Aids virus in 1985.

Coalition poised to collapse in Ireland

By Tim Coone in Dublin

THE two sides in the Irish coalition row remained at loggerheads yesterday, making it nearly inevitable that the government would collapse today.

The crisis began when Mr Albert Reynolds, the prime minister, last week accused Mr Des O'Malley, industry minister and leader of the Progressive Democrats (PDs), the junior coalition partners, of being "dishonest" during a parliamentary inquiry into the country's beef industry.

The PDs said they would withdraw from the Fianna Fail-PD coalition unless Mr Reynolds publicly retracted the accusation by this morning. The PD parliamentary group will gather just before the weekly cabinet meeting.

Ms Mary Harney, a PD deputy and junior minister of state for environmental protection, said yesterday: "It is a serious charge. Nothing like that has ever been made before by a head of the government and, unless it is removed, I don't see any way that Mr O'Malley could participate in this government ... it is a matter for the Fianna Fail party and Taoiseach [prime minister], if they want the government to continue. The ball is in their court."

Although Mr Reynolds said at the weekend that his door was open to Mr O'Malley for discussions, he gave no indication yesterday that he intended backing down, in spite of signs of a backbench rebellion led by members of the former cabinet ousted by him when he took over the reins of the Fianna Fail party from Mr Charles Haughey earlier this year.

Mr Vincent Brady, a former chief whip of Fianna Fail and defence minister, said: "I believe a little bit more care and caution should have been exercised [by Mr Reynolds]. Nobody wants an election at this present time and most of our backbenchers do not want an election either."

Mr Brady expressed doubts that Fianna Fail could win an absolute majority in a snap general election. At that point, Mr Reynolds' future as party leader might be in doubt, he said.

He added that when Mr Reynolds took over the party leadership "he committed himself to [winning] an overall majority and I presume that if he fails to deliver on that commitment his position must come up for questioning".

Mr Peter Barry, the deputy leader of the main opposition party, Fine Gael, said yesterday that his party was now on an election footing. He dismissed claims by senior Fianna Fail officials that they could continue functioning as a minority government. "Once the PDs withdraw it wouldn't last for 24 hours," he said.

Islam surge in Istanbul

THE Moslem fundamentalist Welfare party captured 28 per cent of the vote in Istanbul, Turkey's largest city, in municipal elections on Sunday, according to official returns announced yesterday, AP reports from Ankara.

The party, which calls for the establishment of an Islamic state in secular Turkey, apparently capitalised on discontent among the city's poor.

The election was limited to new city council districts, involving about 800,000 of the city's 4.2m eligible voters, and 200,000 voters in other provinces. The Welfare party's vote in Istanbul was up from 20 per cent a year ago.

French weaponry secured win in battle for franc

William Dawkins explains how France managed to defend its currency against heavy speculation where Britain failed

The French government's decision to cut official interest rates for the first time in just over a year signals that the six-week battle to save the franc from devaluation has been won, Mr Michel Sapin, the finance minister, said yesterday.

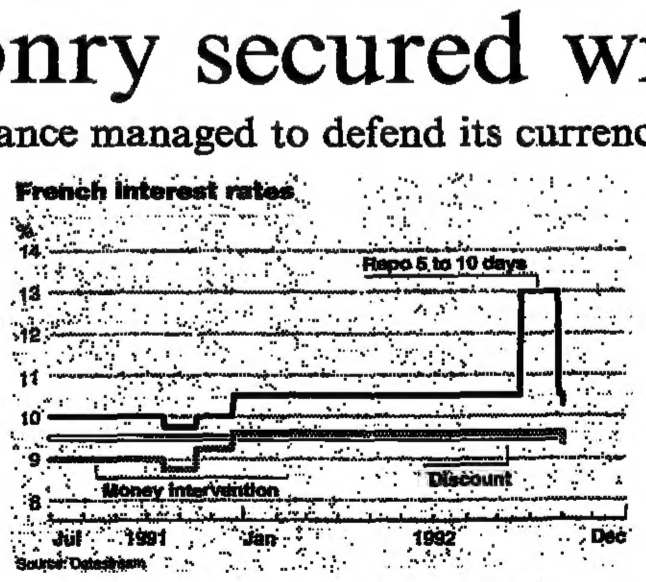
If so, this invites the question of how France managed to save its currency against the heaviest speculative selling for years, when Britain, faced with the same plight, failed and had to devalue.

The answer is partly that the French economy is in less poor shape than Britain's, partly that Germany lent France a hand and partly that French monetary authorities have more tools at hand than their British neighbours.

The markets believed in France's ability to survive among the highest real interest rates in Europe - true even after yesterday's cut - because its economy is still strong enough to deliver growth expected at roughly 2 per cent this year, and something around the same next. France's economic resilience is the legacy of nearly a decade of budgetary and monetary discipline practised by successive left- and right-wing governments, a continuity that does not exist in Britain. Admittedly, that legacy can no longer be taken for granted at a time when France has nearly 3m out of work, which is one reason why the crisis happened in the first place.

The latest evidence of that is a recent newspaper article by influential opposition Gaullist rebels Mr Philippe Séguin and Mr Charles Pasqua, urging a revaluation of the D-Mark, which would amount to a franc devaluation. Another sign of disquiet is a paper by the Economic and Social Council, a cross-party think tank, suggesting that competitive disinflation, the aim of all the economic rigour, is showing its limits.

Yesterday's rate cut will provide a small amount of relief to those who fear that high interest rates are stifling the economy. However, the right-wing leadership, likely to take power next March, remains wedded to much the same budgetary and monetary toughness as the Socialists. "If the dissent were to be magnified, there would be a risk. But we don't see the right making any major changes in economic policy," says Mr Jean-François Mercier, economist at Salomon Brothers in London.



Yesterday was the moment for the French government to move because the Banque de France has just stopped having to sell francs to balance its books in the wake of the crisis, so removing what had been a source of pressure on the French currency.

The French central bank spent FFr160bn (£19bn) on buying francs to keep the French currency within its EMS range since late September, with the help of a FFr130bn to FFr140bn loan from the Bundesbank, according to returns from both banks, disentangled by Paul Hammett, French economist at Paribas Capital Markets in London. The rest, around FFr30bn, came from the French central bank's own reserves, estimates Mr Hammett.

Since then, the Banque de France has sold around FFr160bn of francs into the open market, for D-Marks, enabling it to repay the Bundesbank and rebuild its own reserves, even turning a small profit - of the order of FFr1.5bn believes Paribas - on the franc's appreciation in value during the process.

Help from the Germany came not so much from the Bundesbank loan, under standard ERM rules, as from the joint statement by both countries' central banks and finance ministries at the end of September that they saw no reason to break the franc/D-Mark link. While this whipped up British resentment of the special relationship between France and Germany, it did at least convince the markets that the franc was going to be defended hard.

France's tactics in the battle for the franc differed from Britain's actions. The French central bank tends to intervene earlier and harder than the Bank of England.

Second, the French central bank has a lever at its disposal which has no direct equivalent at the Bank of England, the five- to 10-day repurchase rate, the rate at which commercial banks borrow short-term money from the central bank as a last resort, similar to the Bundesbank's Lombard rate.

The Banque de France increased its repurchase rate from 10.5 per cent to 13 per cent in late September, thereby pushing up money market rates - at which commercial banks lend to each other - but without triggering an increase in the commercial banks' base rates, at which they lend to companies and individuals. In effect, this allows it to raise rates to defend the franc without harming the economy. That tool was harder to use this time because money market rates shot up unusually high, to more than 20 per cent at one stage, which meant that commercial banks were lending, at a base rate of 9.85 per cent, at a big loss. Thanks to an unofficial understanding between the government and the leading banks, French base rates stayed unchanged through the crisis until yesterday, so most borrowers have felt no pain. The commercial banks, of course, lost heavily.

Money market rates have fallen steadily over the past fortnight, to around the same level as base rates, and the repurchase rate is nearly back down to the same level as a year ago, so the pressure on the commercial banks is now off. Economic analysts expected them to wait to recover some of their losses before dropping commercial base rates but four leading banks went ahead yesterday and cut their base lending rates from 9.85 per cent to 9.65 per cent.

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German-US air truce likely today

By Quentin Peel in Bonn and Nikki Tait in New York

A TEMPORARY truce in the transatlantic German-US air war is expected to be signed today or shortly, transport officials in Bonn say.

The deal, due to last a year, should dissuade Germany from unilaterally abrogating its present air transport accord. Recent months have seen a dramatic decline in Lufthansa's share of routes between Germany and the US, in a price-cutting war with the big US carriers. The US transportation department confirmed talks had made "considerable progress", indicating finalisation of a new agreement likely within a fortnight.

The temporary deal will freeze the present capacity of US carriers on transatlantic air routes, and offer Lufthansa, the German state airline, more destinations in the US, aviation industry officials say. But it falls far short of the demand for a substantial cut in capacity of the US carriers on routes to Germany, which is what Lufthansa and the German government are seeking.

The existing bilateral pact goes back over four decades. Lufthansa was given the right to serve 12 US cities. In 1978, with subsequent additions. The agreement, meanwhile, gives US airlines fairly widespread access to German airports.

Last year, Delta Air Lines, one of the big three US carriers, acquired the former Pan Am assets in continental Europe, presenting Lufthansa with a tougher competitor in its own backyard. Aviation relations seemed to deteriorate in the spring, with the German authorities threatening to limit capacity US carriers could provide between the two countries. Officials said Chancellor Helmut Kohl had written to President George Bush recently, warning that failure to reach agreement might force Germany to terminate the existing pact.

The Germans say US carriers are exploiting transatlantic over-capacity to slice their fares, to ensure passengers for their internal US services, where European carriers cannot compete.

BRITAIN has warned the US that failure to approve British Airways' planned purchase of a $750m (£460m) stake in USAir would "strengthen the hand of those in Europe opposed to further liberalisation" of air transport, Daniel Green writes. Mr John MacGregor, UK transport secretary, said approval would give "new impetus to liberalisation". If the deal were stopped, "repercussions would go beyond just the UK/US [bilateral air services] agreement," he told the American Chamber of Commerce in London. Bilateral talks resume next week.

Textile exports become India's silver lining

Economic reforms have provided an overdue fillip to marketing and investment, writes **Stefan Wagstyl**

IF the Indian government is to achieve its aim of export-led growth, it must depend on entrepreneurs like Mr Sudhir Dhingra.

Mr Dhingra runs a garment-making business on the outskirts of Delhi. Last year he sold $10m worth of clothes overseas; this year he hopes for $19m and next year for $25m-$30m. Buyers include Macy's and Liz Claiborne in the US, Spiegel, a catalogue company in Germany, and Britain's Marks and Spencer.

"If you take account of the international recession, sales are picking up very well," says Mr Dhingra, the managing director of Orient Craft.

The same might be said for the Indian textiles industry as a whole. After a decade of sluggish growth, textiles exports this year have soared. According to government figures, textile exports in the first five months of the financial year starting April were a record $2.37bn, up 17.1 per cent over the same period in 1991. This included a 32.7 per cent increase in ready-made garments, the fastest-growing business in the industry.

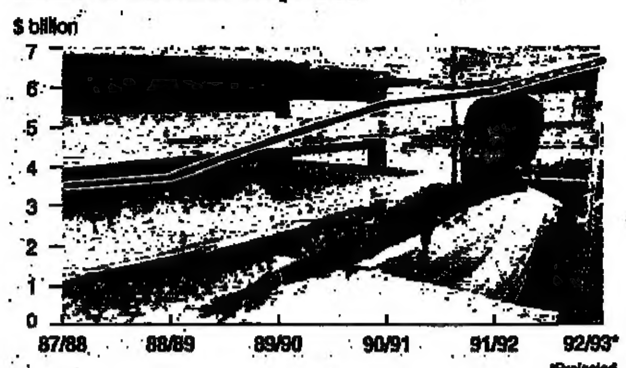
As textiles account for about one third of Indian exports, the industry's export performance is a critical barometer of the government economic reforms. Mr Dhingra believes that even though his sales were growing before the introduction of reforms in mid-1991, the government's programme has generated new interest from foreign buyers.

Textiles businessmen in Bombay, the centre of India's cotton industry, tell a similar story. Foreign customers visit more frequently and test purchases for 10,000 pieces are turning into orders for 100,000 and more. Liz Claiborne has opened an office in India and Quelle, the German catalogue retailer, plans to do the same. Mr Arvind Mafatlal, chairman of Arvind Mafatlal, a textiles-based conglomerate, says: "We are just beginning. By 1994 India will be a major force in the market."

Companies are gearing up for growth with heavy investments. Orient Craft is expanding into two new factories and increasing the workforce from 1,400 to 3,000. On a much larger scale, Arvind Mafatlal is ploughing $200m into up-grading its textiles factories, including one producing shirts for foreign buyers such as J C Penney, the US retailer.

In a sense, the industry, like the Indian economy, is trying to make up for lost time. With abundant raw cotton, low labour costs and a long history of textiles manufacturing, India could have taken advantage of international markets long ago. But previous socialist-inclined economic policies encouraged companies to concentrate on protected home markets and exports to the Communist bloc. Moreover, the state intervened by repeatedly nationalising old mills to save them from closure while simultaneously subsidising small-scale workshops to save handloom weavers from poverty.

India's textile exports



The result was a bloated, uncompetitive, inward-looking industry. By 1990, India's share in the international textiles and clothing trade was just 3 per cent, little more than Pakistan's 2 per cent and far behind China's 7.5 per cent.

Even before the advent of Mr Narasimha Rao, the reformist prime minister, better-managed companies were prodded into action by a collapse in sales to former Communist states. But the new government's policies have encouraged others to follow suit.

Exporters also took advantage of the sharp devaluation of the rupee, which increased export competitiveness, coupled to the economic slowdown in industrialised countries, which forced buyers to seek out cheaper sources of supply. "Business leaders saw this was our first and last chance to catch up with other countries," says Mr Sanjay Lalbhai, managing director of Arvind Mills, a textiles group investing $200m in what will be one of the world's largest factories for denim and cotton shirting.

But the industry will not transform itself overnight. As the chairman of one Bombay mill company says: "We are not competitive even with Indonesia, never mind Pakistan or China. We have a long way to go."

Economic liberalisation has barely begun to affect the industry's core. While export incentives have been introduced with some dramatic results, manufacturers' freedom is still curbed by import controls on cotton and other raw materials and, especially by labour laws which make it all but impossible for large companies to dismiss or redeploy workers.

Government-directed cheap finance for state-owned companies and for small workshops drives up the cost of capital for other businesses. The real interest rate in India (nominal rates minus inflation) is about 10 per cent.

Furthermore, years of protection have generated a business culture which tolerates poor quality, little attention to cost control and frequent delays in deliveries. Even export-oriented garment-makers, which are particularly attuned to foreign requirements, can be hamstrung by their suppliers.

Indian textile makers cannot rely on the further devaluation to make them competitive, because this would make it prohibitely expensive to buy the imported equipment needed to meet foreign quality and design standards.

Also, the industry is heavily reliant on cotton for its success. A swing in fashion in developed countries away from the current preference for natural fibres could hurt Indian fabric makers. Finally, the rules of the Multi Fibre Arrangement, under which developed countries restrict imports of textiles, tend to treat India less favourably than longer-established textiles exporters.

Nevertheless, Indian companies have some competitive advantages. High-quality cotton is in good supply. With improvements in communications and transport, companies will be increasingly able to use the great diversity of Indian skills in spinning, weaving and dyeing.

With the help of reforms, there are enough opportunities in Indian textiles for entrepreneurs to build large businesses over the next few years. But the danger is that the legacy of India's past economic policies could limit the extent to which the successes of the energetic few benefit the rest of the industry, let alone the rest of the economy.

Salinas pledges war on 'unfair' imports

By Stephen Fidler and Damian Fraser in Mexico City

MEXICO is expected to make greater use of anti-dumping laws and import rules in an attempt to slow growth of its trade deficit, after President Carlos Salinas pledged his government would "mount an effective guard against unfair trade practices".

These measures, and new regulations for importers introduced in August, are compatible with the General Agreement on Tariffs and Trade, the government says, but officials concede the timing of their introduction was influenced by their wish to keep down the deficit.

The measures, the officials say, should allow the current account deficit to be kept below $20bn (£12.2bn) this year. The deficit on trade for the first nine months stood at about $14.5bn (£8.8bn), after sharp falls in August and September.

The government is examining imports of steel and textiles from the US, which it suspects are being sold into Mexico at below average costs.

It is also considering action against Chinese textile imports, where anti-dumping laws cannot be invoked because it is impossible to determine manufacturing costs.

Regulations introduced in August, including the requirement to translate into Spanish labelling and official documents, have been causing long delays at the US-Mexican border, through which 70 per cent of the country's imports pass. This explains most of the rapid decline in the trade deficit that month from over $2bn to around $1.5bn.

Mexico's health secretary has similarly required importers of consumer food products to record the origin, production process and other details of their imports. Such measures have been used to turn away $3m-worth of beef from Northern Ireland which had passed all international health standards.

Mexico's current account deficit increased from $7.1bn in 1990, to $13.3bn last year. This year, the deficit is likely to reach $20bn, $7bn more than originally forecast.

NEWS IN BRIEF

Australia urges G7 to speed trade talks

SOME 29 countries led by Australia yesterday urged leaders of the seven main industrialised countries to intervene to have the Uruguay Round trade talks wound up by the end of this year, writes Frances Williams in Geneva.

The move, coinciding with further EC-US farm talks in Chicago yesterday, reflects the frustration of many smaller Gatt members at the failure of the two trading giants to settle their remaining differences. This has held up the 108-nation Uruguay Round negotiations in Geneva since the end of last year.

The statement, sent by Mr Paul Keating, Australia's prime minister, on behalf of the 29, urges the Group of Seven leaders to complete the round this year.

"Without an urgent solution to outstanding differences this deadline will not be met and a successful conclusion to the entire round will be put at risk," the statement says.

The signatories, including members of the Cairns group of farm exporters, the Nordic countries, Austria, Poland and Czechoslovakia, and South Korea, say the economic and trade interests at stake are not those of the G7 alone, "but of the entire international community".

French double-decker train deal

A consortium led by GEC Alsthom, the Anglo-French engineering group, has been awarded a Ecu660m (£528.6m) order from French Railways (SNCF) and the Paris Transport Authority to supply 70 double-decker trains, GEC Alsthom said yesterday. The consortium includes ANf Industrie, the French rail rolling stock manufacturer.

The order includes an option for 73 extra trains, bringing the total contract value to around Ecu1.3bn.

Caricom to cut external tariffs

The Caribbean Community (Caricom) has agreed to reduce the top level of the common external tariff from 45 per cent to 30-35 per cent, writes Canute James in Port of Spain.

Caricom's 13 member states will introduce the lower tariff between January 1 and June 30 next year. The top rate will be further reduced to 25-30 per cent by 1995, falling to 20-25 per cent by 1997.

The tariff cut, agreed in Trinidad, has angered regional businesses, which want continued protection. The US has sought more substantial and immediate cuts.

The new tariff structure is aimed at satisfying deep divisions among community members over tariff levels.

US gets ready to redraw its electoral map

Jurek Martin, US Editor, in Washington, identifies some of the changes in the political landscape exposed on the long road to the White House

EVEN before the votes are finally counted tonight, the analysts will be dissecting the entrails of this election. Their purpose will be to draw up a new national electoral map, not merely to identify where the winning candidate put together his majority, but how and why.

The American electorate is a remarkable overlapping hodge-podge, in which quite small shifts of allegiance can determine who inhabits the White House. Its main constituent parts are obvious. Men and women, young, middle-aged and old, middle class and working class, caucasian and minorities, town, country and suburbs. Given the decline in the influence of the two main political parties, each component part has been the target of the candidates.

Women, for example, tend to vote now in greater numbers than men. But women cannot be reduced to a simple bloc. They may well have a tendency to vote more for "peace" than "war," which helped President George Bush among Republican women in his primary struggles against the more bellicose Mr Pat Buchanan, but the election proper has not provided such a sharp contrast.

Pollsters, for example, detect marked differences between women in the labour force and those who stay at home looking after families. Both are concerned about economic issues, but both seem to display different perceptions, because they receive different messages, about the nature of the country's problems.

If Governor Bill Clinton, the Democratic candidate, does win today, the post-election analysis is likely to show that he benefited from a gender edge over Mr Bush and that it will probably be more pronounced among women who work and who, therefore, may well be juggling employment and family responsibilities.

The Republican appeal to traditional family values, so much a feature of the Houston convention though played down later, may well be seen as ill-conceived, perhaps even a fundamental mistake.

Both Mr Bush and Mr Ross Perot, the Texas independent, score more heavily among men than, on balance, does Mr Clinton. In part this may reflect the outwardly "macho" nature of Mr Bush's campaign, conducted in attacking, sometimes militaristic, terms. For the Bush-Perot generation, not to have worn military uniform may well indeed be a sign of an insufficient manhood.

But it is also possible that this election will show as much of a generation gap as a gender gap. This would be a complete reversal from the 1980s, when a politically disengaged younger generation felt perfectly comfortable with President Ronald Reagan, if it voted at all.

The shift may principally reflect a decline in employment prospects for the more affluent college-educated young, the quintessential "yuppies" of the prosperous 1980s. But it may also be attributable to the appeal of the "baby boomer" generation embodied in the Clinton-Gore ticket.

A key element in the Clinton message has been the need to pick up again the cause of government involvement in the nation's affairs that was so much a feature of the Kennedy and Johnson administrations of the 1960s, when he and Senator Gore came of political age.

The Bush counter has been to highlight what he sees as the risks inherent in activist government, particularly its "tax and spend" proclivities. Mr Clinton, however, has continued to insist that the middle class will benefit from tax cuts under his regime.

In effect, he has been trying to re-awaken a constituency which had repaired to the suburbs and become politically less active during the Reagan years. Four out of 10 Americans live in suburbs. As such they constitute the largest, albeit amorphous, national group, and it is not for nothing in the final days that Mr Clinton has been stressing his own middle class credentials.

The skilled American working class, suburban or inner city, and often ethnically strong, was also prime territory for the Republicans in the 1980s. It has also been among the most economically vulnerable in the downturn of the past two years. It obviously no longer responds in a reflexive political manner to the dictates of its union leadership.

Nowhere is disaffection with the established political parties more evident than among skilled blue collar workers, especially in the "rust belt" states. This was where former Governor Jerry Brown did best in the Democratic primaries and, apart from Texas and the independent-inclined mountain states, is where Mr Perot carries most appeal today.

The engagement of minorities this year is very hard to predict, not least because it has become so diversified. There is, for example, a substantial difference between the inclinations of Hispanic Americans in Florida on the one hand and in New York and Los Angeles on the other. Florida's Cubans have tended to vote Republican, whereas New York's Puerto Ricans and California's and Texas's Mexicans have tended to prefer Democrats, though not to the point of heavy turn-out.

Black Americans are, of course, overwhelmingly Democratic and there are polls suggesting that Mr Clinton commands the allegiance of upwards of 80 per cent of them. But again, the question is whether they vote in sufficient numbers to make a difference.

Cutting across all the socio-economic divides must be the public's assessment of the character of the candidates themselves. Mr Bush's campaign had shrewdly worked out that if this was an election that became a referendum on the state of the economy, it was unwinnable. It therefore became necessary to discredit Mr Clinton as an individual – by whatever available means.

Americans like fighting campaigns and have become pretty much accustomed to seeing them waged ruthlessly. What is incalculable is the extent to which they may sense that there are lines which should not be crossed. They certainly seem to have proved tolerant of Mr Clinton's past, while not resolving all their doubts about his suitability. They have repeatedly emphasised their dislike of orchestrated smears, and their preference for discussion of issues of substance.

The evidence is, however, also that they are still not over-enamoured with the choices on offer. The New York Times this week summed up the public perception: "Mr Bush is out of touch, Mr Clinton is slick, Mr Perot is flaky." It is not the sort of national mood that is likely to give an overwhelming popular mandate to any of them.

What to watch for tonight – and when

The situation at 20.00 Eastern time (01.00 Wednesday GMT):

EASTERN Polls in nearly half of the states here have been closed for up to 90 minutes, with the rest closing now, except for New York and Rhode Island, which do not shut their doors for another hour (02.00 GMT). The first result should emerge from Indiana, with its earliest closing time in the nation. If President George Bush does not win in this Republican stronghold, his prospects for re-election are in trouble.
Key states to watch in the North-east, where Governor Bill Clinton, the Democratic Party challenger, has been leading in the opinion polls, are New Jersey and Connecticut. Maine, one of the best hopes for independent Ross Perot, could offer pointers to his impact on the race. To the west, Ohio and Michigan are critical battlegrounds.
In the South-east, which has generally been Republican territory in recent presidential elections, Mr Clinton and his vice-presidential candidate Al Gore, both southerners, hope for victory in North Carolina and Georgia. Mr Bush must win Florida's 25 Electoral College votes to keep his hopes truly alive.

CENTRAL It is an hour earlier here, but Texas and Illinois are already closing their polls, with all but two of the other states closing within an hour (21.00 Eastern Time/02.00 GMT).
Watch for Mr Perot's affect on the two main candidates in his home state of Texas. Without this state's 32 electoral votes, Bush campaign officials say, the president cannot be re-elected. Mr Clinton is counting on Illinois and its 22 electoral votes. Other key battlegrounds are the northern states of Minnesota and Wisconsin.

MOUNTAIN More than half of the polls here do not close for another two hours (22.00 Eastern Time/03.00 GMT). But results are expected rapidly in Arizona, Wyoming and Colorado, which offer Mr Clinton's best chance of winning in this time zone. Mountain states like Idaho have provided some of Mr Perot's strongest support in the opinion polls.

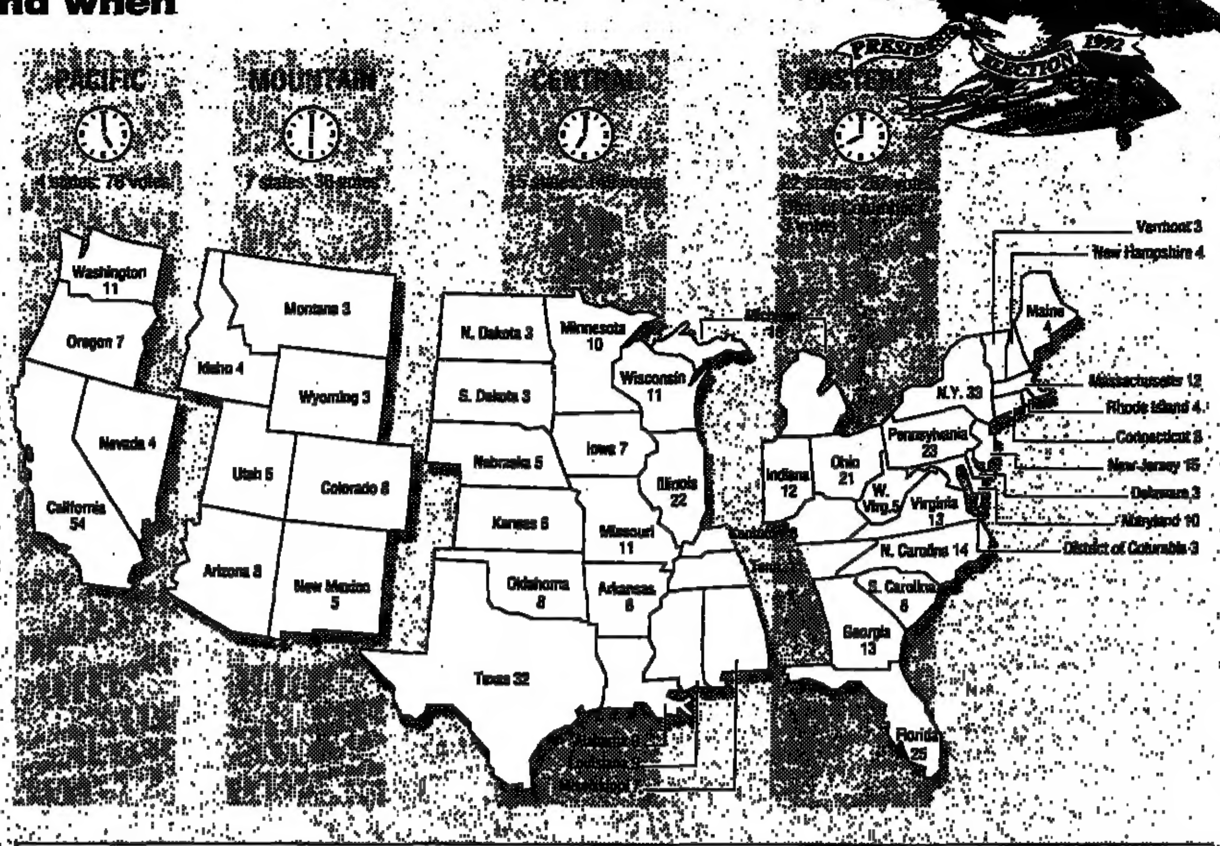
PACIFIC People here are just leaving work, and virtually all of the polls are open for another three hours (23.00 Eastern Time/04.00 GMT). If none of the candidates has secured overall victory by now, California's 54 electoral college votes are likely to prove decisive. Party managers in California hope that the state's votes will still be needed: if the presidential election is already over, voters may decide not to turn out for congressional races.

ALASKA 3 votes

It is only mid-to-late afternoon in these time zones, with the polls remaining open for another four hours (midnight Eastern Time/0.500 GMT). Since becoming states in 1959, however, no presidential contest has been close enough for their electoral votes to have changed the outcome.

HAWAII 4 votes

While Hawaii remains a Democratic fortress, Alaska will be watched closely for the outcome of its elections for Congress, in which a senator and the state's lone representative, both Republicans, face strong competition.



The Electoral College: 270 to win

The US president is elected, not by national popular vote, but by a simple majority of the 538 Electoral College votes apportioned to the 50 states and the District of Columbia* on the basis of the number of their congressional districts. Each state has two US senators, and a number of representatives in the House of Representatives based on population.

The small state of Rhode Island, for example, has its two senators plus two representatives, giving four electoral votes; California, the most populous state, has its two senators but also 52 representatives, giving it 54 electoral votes.

The presidential candidate who receives the majority of a state's popular vote wins the state's entire electoral vote.**

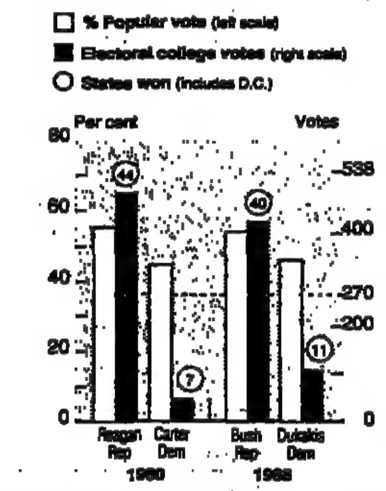
For example, a candidate could be elected president by winning only the seven most populous states plus a handful of medium-sized states, no matter by how slim a margin. In other words, the candidate could win in only about a fifth of the states and still become president.

Indeed, the system tends to make elections seem more decisive than they are. In the past 50 years, the Electoral College victory has generally been fairly wide, whereas the average margin in terms of the popular vote has been less than 10 per cent.

Two examples are shown on the right of how the popular vote translates into victory and defeat:

*The District of Columbia, seat of the national government, i.e. Washington D.C., does not have voting representation in Congress but is allocated the minimum of three Electoral College votes.

**Except for Maine and Nebraska, which apportion their votes by congressional district.



Arkansans are already relishing the benefits they expect a Clinton victory to bring

Little Rock sets its sights on a large future

By Nancy Dunne in Little Rock

IN LITTLE ROCK'S sprawling, graceless downtown area, a few jutting skyscrapers attest to the ambition of the state of which it is capital, Arkansas. Here the most ambitious Arkansan of them all, Governor Bill Clinton, will sleep most of today to prepare for tonight's 10-party celebration climaxing his race for the US presidency.

The state, one of the country's poorest, has seen nothing like today – or, indeed, the past five months of the presidential campaign. Arkansas has never had a presidential contender, although local historians have dredged up the memory of one senator who adorned President Franklin D Roosevelt's inner circle.

Win or lose, few Arkansans are complaining about their governor's tilt at the presidency

"Arkansas is ready, America." This is the assertion inscribed on the press kits – assembled for the 4,000 journalists expected here tonight – complete with maps, tour listings, brochures for local attractions, contact lists and ideas for articles.

Campaign headquarters is also ready, functioning "like a well-oiled machine", according to Mr Marc Ginsberg, deputy press secretary. Elaborate get-out-the-vote measures are under way, but last-minute nervousness about a Bush surge has dissipated.

While Little Rock, capital of "the Natural State", lacks the charm of the Old South, it also lacks its torpor. The natives are feverishly preparing for the gathering hordes of Clinton friends, media, and visiting dignitaries. Among the latter is a delegation from the Argentine government, come "to show our support for Clinton".

The city was the first in the US to fight Washington-imposed school integration in the 1950s. Today, it has a governor who has vowed to heal the racial hatreds his opponents have long exploited.

The Arkansas air is almost balmy this week; the pansies still bloom. At the Excelsior Hotel (bought in a single day two years ago by a Japanese couple who "wrote a cheque") chefs are putting the finishing touches to a large ice sculpture of the White House. Every hotel room is booked between Little Rock and Hot Springs, 55 miles away. The Excelsior has even rented out its roof for satellite dishes and cameras, and its 150 extra staff include local teachers, lawyers and even investment bankers, all of whom want to be part of tonight's parties.

At a long table in the media centre sit the state economic development specialists and business boosters. These are the people responsible for the 19 per cent increase in manufacturing jobs over the past decade, an achievement which Mr Clinton "rang on" repeatedly in the campaign. Their excitement is palpable. They have heard their state described as a pollution haven by President George Bush, and as "irrelevant" by independent candidate Ross Perot, but they are looking more for "opportunity" than revenge.

Among them are forward-thinking Arkansans planning to offer the Clintons (who own no home) a vacation retreat in Hot Springs, where they also hope to attract holidaymakers and pensioners. (Land here can still be bought for $300-400 an acre.) Some are even poring over sites for a Clinton presidential library, although it would not be built until after his time in office.

In his acceptance speech at the Democratic convention back in July, Mr Clinton said: "There is no Arkansas miracle," in a reference to the "Massachusetts miracle" proclaimed by the last Democratic challenger, Mr Michael Dukakis. But there is also unlikely to be an Arkansas collapse of the kind endured by Massachusetts after the failure of their presidential candidate. Growth has been steady over the decade or so Mr Clinton has been here, and banks are so conservative that home building lags well behind demand.

Like most state governors, Mr Clinton commands less awe at home than he does away. A giant sign near Little Rock airport informs startled visitors "This is Bush country." Outside the confines of state government, Mr Clinton's education reforms and economic expansion schemes are almost grudgingly praised; his sales taxes, levied to finance schools and development, are the subject of bitter complaint. It is by no means forgotten that when he ran for re-election two years ago, he promised to finish his four-year term.

Win or lose, there are few Arkansans today complaining about his presidential run. It has pushed tourism to record highs. The number of companies inquiring about moving to the state has risen 30 per cent.

The population may shrink a bit if all the governor's supporters get Washington jobs. But Arkansas Business, a weekly newspaper, spells out the possibilities of a boom in the state as a result of a Clinton presidency: increased highway spending, development of the impoverished "Delta Region", new tax receipts from tourism, better airline services, promotion of rice exports in Asian markets, more convention business and the prospect of military installations.

Arkansans dream of a new prosperity and, as the candidate sleeps off a gruelling campaign, his friends are adjusting to the fact that tomorrow he may be preparing to take on the world's most powerful job.

His critics are also adjusting. One of the most severe, Mr Paul Greenberg of the Arkansas Democrat Gazette, waxed philosophical in Sunday's column. "Just when the fabric of the old republic seems stretched to the breaking point, its tattered threads will be rewoven," he said of election eve. "The towering heroes and unregenerate villains who dominated the news the night before will be unmasked as human beings with virtues and vices. And the caricatures will have to be put aside for the next election."

SUNNY SIDE UP: Arkansas governor and Democratic presidential candidate Bill Clinton greeted by a waitress in a Philadelphia diner yesterday as he started his last day of campaigning for today's election

Death, lotteries and taxes all on poll agenda

By Jurek Martin in Washington

TODAY, the citizens of the District of Columbia, the least enfranchised people in the US, will not only be voting for a president and a fistful of local offices. They will also be asked if they want the death penalty restored for capital crimes.

DC does have a murder problem, about 370 so far this year. But it has not executed anybody in its jurisdiction since 1957 and in 1981 the city council formally repealed the death penalty statute. There has been no discernible movement in what is the most rock-solid liberal Democratic constituency for it to be restored.

The proposal is on the DC ballot because Congress, from which DC derives a large chunk of its budget, ordered the council to put it there. It did so after an aide to Senator Richard Shelby, Democrat from Alabama, was brutally murdered earlier this year. Some outraged members of Congress wanted the death penalty forced back in the nation's capital, but agreed in the end to let the local citizens decide.

Most states voting today will also be passing judgment on over 60 issues not apparently directly related to the choice of their national and local leadership. Some initiatives have been placed on the ballot by the petition process, some by special interests and some by governments themselves.

The greatest number of these are devoted to restricting the number of terms elected representatives may serve, on the ballot in 14 states, and to state and local finance, covering both tax increases and reductions.

If the term limit bandwagon is successful today – and in the current anti-political mood more victories than defeats are anticipated – as many as a third of state legislature members will know they can count on only limited years in office.

Financial initiatives conform less easily to type. Nine state ballots contain proposals to repeal or limit taxes and eight to increase them on particular sectors, such as the wealthy, smokers and gamblers. Several state and local authorities propose to introduce lotteries.

The governors of California, Colorado and Michigan have proposed initiatives opposed by their own state legislatures. In Michigan, for example, Mr John Engler, the Republican governor, has sponsored the move to cut property taxes by 30 per cent over five years.

California's Republican Governor Pete Wilson is seeking voter permission, not granted by his legislature, to cut welfare payments and assume greater control over the budget. In Colorado, it is the Democratic governor, Mr Roy Romer, who is seeking to bypass his Republican legislature by getting approval for a rise in state sales tax.

But the most controversial proposals are in social policy. None is more bitterly fought than the initiative in Oregon, sponsored by right-wing Christian activists, to curb rights of homosexuals.

Nowhere is the initiative process stronger than in California, appropriately for a state whose tax-cutting referendum in 1978, Proposition 13, gave impetus to policies later practised nationally by the Reagan administration.

There are five state-wide referenda in California today, perhaps the most hotly contested on allowing the terminally ill to order a physician to practise euthanasia.

THE RACE FOR CONGRESS

Incumbents to feel electorate's wrath

FOR a short time this summer it seemed to many congressmen that the worst might be over; that the wind of hostility to all incumbent office-holders, whatever their party or distinction, might have blown itself out.

That hope has gone. The wind is now blowing as strongly as ever and threatens to sweep dozens of incumbents out of office in today's polls.

Democrats, in particular, can no longer cling to the coat-tails of their presidential nominee, Governor Bill Clinton, who had appeared at one point to be cruising to a landslide victory. The anti-incumbent sentiment that has fuelled the presidential candidacy of Mr Ross Perot, the independent Texas billionaire, is sweeping all before it.

Only in the 89 open House seats and eight open Senate seats, where there is no incumbent to feel the voters' wrath, are party links expected to make much difference.

"The truth is there are no coat-tails for incumbents of either party this year. And the evidence we've seen in recent polls tells us that Perot voters clearly can't be counted as incumbent supporters," says Mr Vic Fazio, chairman of the Democratic congressional campaign committee, who is himself facing a surprisingly tough challenge in California's third district.

Mr Guy Vander Jagt, his counterpart at the National Republican congressional committee, believes there is a 20 to 30 percentage point drag on every incumbent.

Mr Vander Jagt is well placed to know for he, along with well-entrenched members of Congress like Senator Alan Dixon of Illinois and Congresswoman Beverly Byron of Maryland, was eliminated in a party primary earlier this year.

Roll Call, Congress's parish newspaper, suggested last week that House Speaker Tom Foley of Washington state and Congressman Dan Rostenkowski of Illinois, who holds the US government's purse strings through his chairmanship of the House ways and means committee, might be at risk.

Even Mr Jamie Whitten of Mississippi, who if re-elected will start his 52nd year of House service on Wednesday, is having to campaign seriously for the first time in two decades.

Although many incumbents may face the guillotine, the party composition of both chambers is unlikely to change dramatically.

Office-holders will not be helped by party links, writes George Graham

Democrats say they expect to lose between 20 and 25 seats in the House, not enough to dent their 101-seat majority.

Republican party managers officially come up with the same figure: a net gain of 25 seats. But some Republicans, who once hoped for a net gain of 50 seats, now fear they could pick up as few as five seats.

In the 100-member Senate, where Republicans once believed they had a realistic chance of winning a majority, the Democrats seem strongly positioned to maintain their 57 to 43 edge, and could even take seats away from the Republicans.

Despite the recession, spending on congressional races has risen dramatically this year. The Federal Election Commission reports that congressional candidates had spent a total of $380m (£233.1m) by October 14, $75m more than in 1990 and $71m more than in 1988.

Some of this increase is because of the unusual double Senate election in California – the biggest state and hence the most expensive to campaign in. Senators are usually elected *for six years*, with a third of the Senate up for re-election every two years. A second election will decide who fills the seat vacated by Mr Pete Wilson when he became governor of the state.

But spending on House elections, which take place every two years, is up by 36 per cent at $223m, led by Mr Michael Huffington, a Republican millionaire who has spent $4.4m of his own money, and by Mr Richard Gephardt, House Democratic leader, who has spent $2.7m on his Missouri race.

The scandal over the House's private bank earlier this year has encapsulated voters' irritation with their members. The bank provided informal and unpaid overdraft facilities to members, and those who used the service are, in many districts, having to battle opponents' charges of "kiting", or cheque bouncing.

If Mrs Mary Rose Oakar, a Democrat, loses her Ohio seat it will be almost entirely due to her 213 overdrawn cheques; the same may be true for Republican Bill Goodling in Pennsylvania, who had 430 overdrafts on the House bank. Overdraft attacks have followed former House members like Ms Barbara Boxer and Mr Les Aucoin into their Senate campaigns.

Some members have bigger problems than a few overdrafts.

Congressman Nick Mavroules of Massachusetts overdrew his account just once, but he has been indicted on federal bribery charges, while Senator John Glenn of Ohio is still suffering from his entanglement with Mr Charles Keating, who ran the now-collapsed Lincoln Savings and Loan – even though the Senate ethics committee concluded he was guilty of nothing more than poor judgment.

To be pure, however, it is not enough to be a non-incumbent. Ms Carol Moseley Braun, the Democratic candidate for Illinois' Senate seat, has seen her lead eroded by charges over her financial manoeuvring to keep her elderly mother's eligibility for state Medicaid coverage.

Even without the collapse in public esteem for Congress, many sitting members faced hard re-election battles. US House districts are redrawn after the census every 10 years. With population still moving from the north and east towards the west and south, many sitting members have seen their districts dwindle or disappear.

Montana used to have two congressional districts, one represented by Democrat Pat Williams and the other by Republican Ron Marlenee. Today the two men will face off in Montana's only congressional district.

Even in states which gained seats from the reapportionment, such as California and Georgia, sitting members have often been squeezed into less favourable districts.

The irrepressible Mr Newt Gingrich, the Republican whip in the House, lost so much of his district that he chose to move to a more Republican district, but is still struggling as he makes himself known to new constituents.

Democratic members in several states have lost areas they used to depend on for support to create new districts with black or Latino majorities, in compliance with the Voting Rights Act.

All told, Democratic campaign managers estimate that 34 of their party's incumbents were adversely affected by redistricting, and a dozen Republicans.

KEY CONGRESSIONAL RACES

House of Representatives (district number)

State	Democrat	Republican
Alaska	John Devens	Don Young*
California (3)	Vic Fazio*#	Bill Richardson
California (42)	George Brown*$	Dick Rutan
Florida (10)	Karen Moffitt	Bill Young*
Georgia (6)	Tony Center	Newt Gingrich*$#
Iowa (2)	Dave Nagle*#	Jim Nussle*#
Maine (2)	Patrick McGowan	Olympia Snowe*
Maryland (1)	Tom McMillen*#	Wayne Gilchrest*
Massachusetts (3)	Joseph Early*$	Peter Blute
Massachusetts (6)	Nicholas Mavroules*$	Peter Torkildsen
Michigan (8)	Bob Carr*#	Dick Chrysler
Missouri (6)	Patricia Danner	Tom Coleman*
Montana	Pat Williams*#	Ron Marlenee*#
N.Carolina (11)	Jack Stevens	Charlie Taylor*#
Ohio (6)	Ted Strickland	Bob McEwen*$
Ohio (10)	Mary Rose Oakar*$	Martin Hoke
Pennsylvania (19)	Paul Kliker	Bill Goodling*$
Texas (2)	Charles Wilson*$	Donna Peterson
Texas (23)	Albert Bustamante**	Henry Bonilla
Wisconsin (1)	Les Aspin*	Mark Neumann

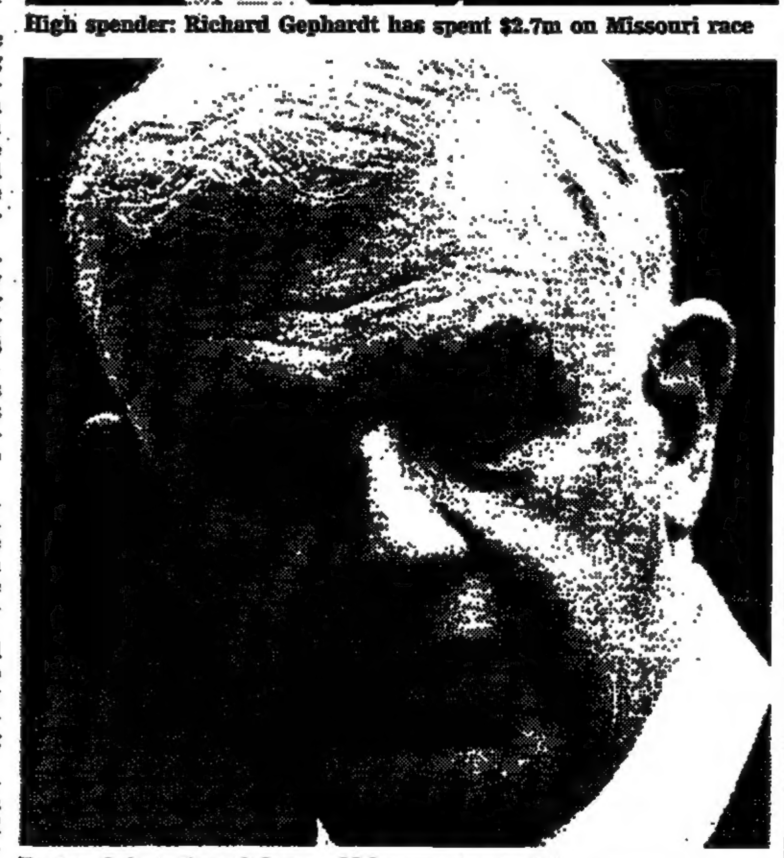
Senate

State	Democrat	Republican
California (A)	Barbara Boxer$	Bruce Herschensohn
Colorado	Ben Nighthorse Campbell	Terry Considine
Illinois	Carol Moseley Braun	Rich Williamson
New Hampshire	John Rauh	Judd Gregg
New York	Robert Abrams	Alfonse d'Amato*$
Ohio	John Glenn*$	Mike DeWine
Oregon	Bob Packwood*	Les Aucoin$
Pennsylvania	Arlen Specter*	Lynn Yeakel
Washington	Patty Murray	Rod Chandler
Wisconsin	Russell Feingold	Bob Kasten*

* Incumbent
$ *Trouble with overdrawn cheques on House of Representatives bank, or alleged ethics violations* # Hurt by redistricting

On the line: Dan Rostenkowski might be victim of voter anger

High spender: Richard Gephardt has spent $2.7m on Missouri race



Facing defeat: Tom Foley could be swept out of the House

Ferranti linked to 1986 ISC missile project

By Alan Friedman in New York and Tom Flannery in Lancaster, Pennsylvania

FERRANTI, the British defence electronics company, was *involved in a 1986 US helicopter*-and-missile project that led to the indictment of a former top executive at International Signal and Control (ISC), the Pennsylvania company that was found to have defrauded Ferranti after it was acquired in 1987.

Ferranti's involvement is described in a series of company documents obtained by the Financial Times.

Mr Thomas Jasin, the former president of ISC Technologies, will stand trial in Philadelphia tomorrow. He is accused of having illegally imported into the US components for the Striker missile, a South African weapon that was to have been fitted on to US helicopters made by the Sikorsky division of United Technologies.

Mr Jasin is also charged with transferring technical data and goods to South Africa in connection with the project. US law prohibited both the import of South African military technology and the export of technology to South Africa.

Neither Sikorsky nor Ferranti has been charged in the Striker case. Mr Jasin claimed yesterday he was innocent of any wrongdoing as the project was "above board" and involved discussions with Ferranti, Sikorsky and the US Army.

The documents obtained by the FT show the prospective customers for the project – which was to have used the Striker anti-tank missile on Sikorsky's Blackhawk or Eagle helicopters – were both the US Army and the People's Republic of China. The transactions were not completed.

However, a US official said yesterday the US Army eventually tested versions of the Striker missile.

The documents also show that as long ago as 1985 – two years before it acquired ISC – Ferranti agreed to provide a helicopter siting (missile guidance) system for the Striker programme. An April 1985 document from Ferranti's electro-optics department in Edinburgh *showed the company* prepared a technical proposal for ISC Technologies on the siting system.

An August 1986 letter written by Mr Jasin to Sir Derek Alun-Jones, then the Ferranti chairman, also discussed a memorandum of agreement between Ferranti and ISC on the Striker project.

Ferranti declined to comment on the project yesterday except to say it had made information on the Striker available to US and British authorities, which was "instrumental" in leading to the indictment of Mr Jasin.

A former senior Ferranti director said, however, that he recalled Ferranti's participation in the programme. The director said: "This was long before we merged with ISC. They must have approached us, probably in conjunction with Sikorsky, about a proposed programme and seeking the supply of siting systems."

In Connecticut, a Sikorsky spokesman confirmed the company's participation in the Striker/helicopter project, but noted it did not proceed with the project after Mr Jasin informed the company in October 1986 that US laws would have prevented testing the missile in the US.

"Sikorsky recognises the foreign policy implications of importing and exporting technology," the spokesman said.

Mr Gaar Steiner, the lawyer representing Mr Jasin, said the entire transaction was "totally above board". Available documents "establish beyond question that Ferranti was involved in the programme, as was Sikorsky and the US Army".

Mr Steiner said he did not dispute that the Striker missile components were brought to the US, *but said it was a legal* transaction.

Beating off big Brazil breakaway

By Christina Lamb in Porto Alegre

THERE is growing irritation with the distortion by which the richer and more populous south of Brazil subsidises the poorer north and north-east, yet receives less political representation.

This resentment is taking shape as the government of Rio Grande do Sul state prepares a court action challenging Brazil's federal structure, demanding greater political representation for the south to avert the spread of separatism.

The south and south-east are the richest parts of Brazil, accounting for 75.9 per cent of national GDP and 85m of the total 148m population, yet they are outweighed politically by the centre, north and north-east, which provide just 17.9 per cent of GDP.

One reason is a constitution giving each state, no matter its size, at least eight members in the House of Representatives in the federal Congress.

Southerners say, half in jest, that Brazil would be a very rich country if it lopped off everything north of Rio de Janeiro. This sentiment is more serious among the 9.2m people of Rio Grande do Sul. Local businessmen talk bitterly about subsidising "indolent north-easterners" who "damage Brazil's image".

Their wrath is understandable. Rio Grande do Sul seems like another country compared with the hungry north-east. The state, one of the richest regions in Latin America, boasts social indicators worthy of the developed world, with average life expectancy of 72 years and 89 per cent literacy. Some 81.3 per cent of households have telephones.

Porto Alegre, the state capital, with its modern architecture and tree-lined roads, could fit easily into Europe. Telephones work, appointments are kept on time and cars stop at traffic lights and crossings.

Such is the growing mood towards separatism in the region that four movements have arisen. Mr Irton Marx, president of the Pampa Movement, says: "Separatism is the only way for Brazil to shake off its backwardness." The movement runs a state-wide TV campaign: "Enough of being ashamed abroad by being thought swindlers, underdeveloped and primitive".

Mr Marx claims to have 780,000 signatures for his proposed referendum on separation of the three southernmost states – Rio Grande do Sul, Santa Catarina and Paraná.

Southern feelings run very high now because of a fiscal reform before Congress. Rio Grande do Sul is one of the highest contributors to federal revenues, but a low recipient.

Mr Alceu Collares, state governor, says: "We send 15.5 per cent of state GDP to Brasilia and only get back the equivalent of 9 per cent. If this, and the political discrimination, is not altered we could face an unstoppable separatist campaign."

Counting on the only sure poll winner

There's money in supplying voting equipment, finds **Louise Kehoe**

THERE is one safe bet in the US presidential election today, but his name appears on no ballot paper. Mr P.E. "Bill" Esping will be a winner, no matter who wins the White House.

This Dallas businessman is chairman of Business Records *Corporation Holdings*, the largest supplier of voting equipment and services in the US. Others may be complaining about the weakness of the US economy but, for Mr Esping, 1992 is a boom year.

"If anybody makes money out of this election, I will," he says, while acknowledging that the election business is "very cyclical".

About half of the millions of US citizens who go to the polls today will cast their votes via equipment supplied by Business Records, Mr Esping estimates. Only about 7 per cent of US voters still put a cross by the name of their chosen candidate in the traditional way, according to the Federal Elections Commission in Washington. The vast majority uses some form of automated voting system.

This explains how votes are counted so rapidly. "In the US we have been driven to automation by the huge numbers of voters. There is no way that we could count them all by hand," says an FEC official. "And, unlike other countries, we announce results without delay or ceremony."

Counting votes is a new venture for Mr Esping. In 1970 he founded First Data Resources which grew to become the largest US processor of credit card accounts before being acquired, in 1985, by American Express. Three years later he invested $10m in Business Records, then called Cronus Industries, when it was close to bankruptcy. This year, he says, the company will record revenues of about $85m, its highest.

Yet the voting equipment used in some parts of the US is far from high-tech. About one third of US voters, most of them in the south and mid-west, still cast their votes on antiquated machines that date back to the 1950s, pulling levers to register their choice. Speedometer-style dials keep running totals of votes *throughout polling day*. But, if one of these machines breaks down – as several did at Durham, North Carolina, two years ago – there is no way to determine how many votes have been lost or miscounted.

If the voter turn-out today is unusually high, as has been predicted, there may well be problems in regions that still use ageing systems. To replace these mechanical monsters is bread and butter business to Business Records.

In San Mateo County, California, for example, today voters will vote electronically for the first time, using optical scan equipment from the Dallas company. Like close to 20 per cent of voters throughout the US, San Mateo's electorate will receive ballots that look like multiple-choice exam papers, with the instruction to pencil in the dot next to the candidates of their choice.

Voters simply feed their completed ballots into an optical scan reader – one per polling station – to record their votes. The ballot papers provide an audit trail in case of any hitches.

Votes are tallied throughout the day and recorded on a computer tape. When the polls close the tapes are transported to a central computer facility where they are totalled. San Mateo is, however, the last Californian county to convert to computerised voting methods. Elsewhere in the state, and in many other parts of the US, the most commonly used voting method is the Votomatic computer punch card.

This was invented in 1962 by a political science professor at the University of California at Berkeley. The Votomatic records votes by punching holes in a computer card. The cards are then transported from polling stations to a computer card reader for counting.

In the 1960s, punch cards were the standard method to record computer data. They have long since been replaced by magnetic media and now few companies can service the equipment or supply the computer cards. One of them, though, is Business Records, which acquired the original Californian manufacturer of the Votomatic machine.

Only about 3 per cent of US voters now use "direct recording" computerised voting systems, in which they press buttons to record votes electronically. Fears that computer programmes might be rigged or that the computers might malfunction have limited their use, despite manufacturers' claims that it is easier to bribe an electoral official than to tamper with a computer.

The state of New Mexico, however, is experimenting with a "vote by phone" system, devised by Octel Communications, a Californian voice mail systems manufacturer. Rather than travel to polling stations, voters can record their votes by phone. Some see this as the future direction of voting technology in the US.

Mr Esping maintains, however, that Business Records' optical scanning systems represent the predominant trend in such technology for the next 10 years. There's another way he will be saying it's not "time for a change" – Mr Esping's vote will go to President George Bush.

Manufacturing industry prospects pick up

THE US Purchasing Managers' Index moved back above 50 per cent last month, indicating slightly improved prospects for manufacturing industry, but remained far below the levels normal in a healthy recovery, writes Michael Prowse in Washington.

In a separate report, the Commerce Department said construction spending rose 1.3 per cent in September, following a revised decline of 1.1 per cent in August. Construction spending was up 5.5 per cent compared with the same month last year.

The Purchasing Managers' Index rose to 50.6 per cent in October after a sharp decline to 49 per cent a month earlier. The index is now just above the 50 per cent threshold that indicates expansion of the manufacturing industry, but still well below levels recorded earlier this year.

The improvement mainly reflected a rebound in the component of the index measuring new orders, which rose from 49.6 per cent to 55 per cent. The component measuring production rose from 52.6 per cent to 54.3 per cent.

But the index for jobs dropped from 45.2 to 44.8, indicating that employment prospects remain dismal.

Mr Robert Bretz, for the National Association of Purchasing Management, welcomed the overall improvement, but said the pace of growth remained modest as the economy entered the fourth quarter.

Magic Johnson drops plan to resume career

By Jurek Martin, US Editor, in Washington

EARVIN "Magic" Johnson, the basketball superstar who has the Aids virus, announced yesterday he was giving up plans to resume his playing career.

A statement released by his Los Angeles Lakers team said he was retiring for good because "it has become obvious the various controversies surrounding my return are taking away both from basketball as a sport and the larger issue of living with HIV for me and the many people affected".

His reference to "various controversies" reflects growing opposition to his playing by fellow professionals fearful of infection.

Johnson, one of the dominant players of his generation, first retired last November after disclosing he had the HIV virus. He returned to play in the US Olympics "dream team" which won the gold medal in Barcelona and has performed in most of the Lakers exhibition games before the regular season, which begins later this week.

On his first retirement he was appointed to the presidential commission on Aids but resigned two months ago, accusing the Bush administration of paying insufficient attention to the problem.

Iata warns of mounting airline losses

By Paul Betts in Montreal

THE INTERNATIONAL airline industry is heading for another loss next year, which will bring total losses during the last four years to nearly $10bn.

Mr Gunter Eser, director-general of the International Air Transport Association (Iata), also warned yesterday that the continuing losses of the industry would hit new commercial aircraft orders during the rest of this decade.

Addressing the organisation's annual meeting in Montreal, Mr Eser described the state of the industry as "apocalyptic".

"The four horsemen of the aviation apocalypse are traffic and yields which are too low; capacity and unit costs which are too high," he said. Mr Eser said there was a fifth horseman, interest charges and airline debt which have become unsustainable.

The dire financial state of the industry will accelerate the profound changes now taking place in the airline business. Last year alone, the industry shed 51,000 jobs or 3.4 per cent of its total workforce.

After it lost $2.7bn in 1990 and $4bn last year, Mr Eser said he expected the industry loss this year to total $2.6bn.

Although there has been a slow recovery in traffic, Iata is expecting another industry loss of around $600m next year. This would bring total losses for 1990-93 to $9.9bn.

However, Mr Eser said Iata was still optimistic about future growth, forecasting an average worldwide passenger growth rate of 7.4 per cent a year between 1991 and 1996 and a 6.9 per cent annual growth rate for freight traffic during this period.

But this growth will be clipped unless about $350bn is spent to improve and expand airports and air traffic infrastructure between now and 2010.

Mr Eser warned that Iata's 212 member airlines were unlikely to be able to finance any new aircraft purchases beyond those they have already on order even if they quickly return to break-even.

He urged airlines to be much more cautious in ordering new aircraft than they were during the boom years of the 1980s.

"It is time for the industry to put its own house in order," he said.

Vietnam looks for gains from US election

Alexander Nicoll reports on economic hopes for the lifting of Washington's aid embargo

TODAY'S US election will be closely watched from Hanoi. It could determine the pace at which Washington, which has ostracised Vietnam since the end of the war in Indochina in 1975, allows it to resume international business.

Assistance from multilateral institutions and – except for small amounts – from western governments has been prevented by a US embargo. Finance is desperately needed to help rebuild the country's infrastructure and support attempts to introduce free-market reforms.

The Bush administration has been under intense pressure both to maintain and to lift the ban. US companies, barred by the embargo from doing business, feel they are losing out to foreign competitors on a potential bonanza.

Businessmen from Japan, South Korea, Taiwan, Singapore and Hong Kong, as well as from Europe and Australia, have been swarming to Vietnam, which is seen as offering a cheap, enthusiastic and well-educated labour force as well as a large domestic market. They have developed important contacts, but as yet only limited actual business.

Vocal conservative and veterans' groups in the US are implacably opposed to rehabilitating Vietnam while Americans lost in the war remain unaccounted for. The depth of feeling still aroused by Vietnam is evident at any Independence Day parade or similar event across America.

President Bush has made progress in winning co-operation from the communist Hanoi government in the attempt to trace 2,265 servicemen listed as unaccounted for in Indochina. He has involved senators who are outspoken on the issue in the search – some have even knocked unannounced on the doors of Vietnamese prisons.

Last year he set out a four-stage "road map" to normalisation, under which progress in accounting for missing servicemen and towards peace and elections in neighbouring Cambodia – which had a government installed by Vietnam – would lead to a phased lifting of the embargo.

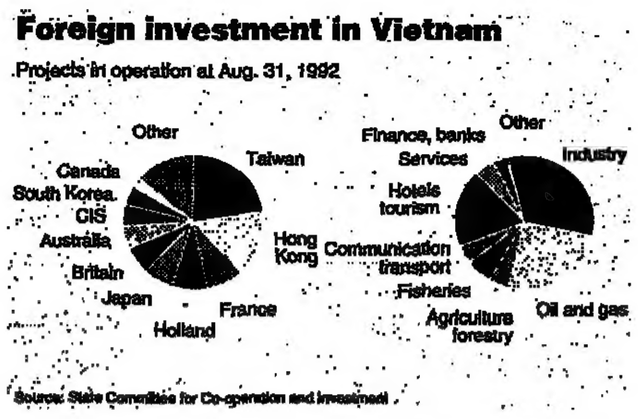
US businessmen are allowed to visit Vietnam but not to sign contracts, and telecommunications links have been restored so that American Telephone and Telegraph (AT&T) has been able to enter the market – though not yet to pocket the revenue.

The (unpublished) road map foresaw lifting the trade embargo six months after the September 1991 signing of the Cambodia peace agreement, but this has not occurred. There are signs that Mr Bush could lift it later this year or in January, whether or not he wins the election.

The effort to trace missing servicemen has been bipartisan. But for Mr Bill Clinton – if he wins – lifting of the embargo might not be a priority early in his presidency, since Vietnam is such an emotive issue. It seems unlikely in the longer run that Mr Clinton's approach would differ markedly from that of Mr Bush.

Foreign investment in Vietnam

Projects in operation at Aug. 31, 1992



Source: State Committee for Co-operation and Investment

Pressure on either a Bush or Clinton administration would increase if, as seems increasingly likely, Japan loses patience with Washington and, in effect, lifts the embargo, which it has maintained out of deference to the US. There are increasing indications that Japan will proceed with a $200m official aid programme in which Japanese companies would participate.

The Hanoi government's economic policies would almost certainly already satisfy the International Monetary Fund. However the IMF cannot lend to Vietnam until the US removes its veto from a French-led plan which would enable Vietnam to repay its arrears to the Fund.

IMF lending, in turn, would trigger substantial loans from the World Bank and Asian Development Bank as well as much larger bilateral aid from governments and the granting of full insurance cover by official export credit agencies.

Despite the degree of preparation and the sense of exciting potential, a slower acceleration is more likely than a rapid take-off, for several reasons.

First, Vietnam remains a very poor country with extremely inadequate infrastructure: it needs new power stations, roads, bridges, railways, aircraft, hotels, communications, and industrial and agricultural machinery. The United Nations and the Vietnam government have identified projects worth nearly $7bn. The need for technical expertise and management skills is just as great.

Second, despite the government's open policy, there remain bureaucratic and practical hurdles to setting up in Vietnam. Once permission is obtained, office space is limited and staff must be obtained through the government at considerable expense. Corruption and smuggling remain problems.

Third, foreign companies, including those that have already established a presence, are likely to be cautious about signing contracts, especially if a proposed joint venture is with one of the many inefficient, loss-making state corporations.

Mr Martin Adams, managing director of the Vietnam Fund Management, who manages from Hong Kong a $10m fund investing in Vietnamese joint ventures, believes the first result of lifting the embargo will be a surge in Vietnam's international trade.

Its rice surplus is currently exported, but not to the best markets, because of poor quality, lack of milling facilities, and absence of credit insurance. Textile exports could also rise sharply. The European Community is discussing including Vietnam in its quota arrangements.

The broader potential is substantial. Companies such as Coca-Cola, Pepsico, Citicorp, Bank of America, AT&T, and Boeing are expected to try to tap large markets in their respective businesses. So will the oil industry – Mobil had an important presence in Vietnam - and construction equipment companies.

But competition will be intense. Korean conglomerates have been actively wooing the Vietnamese, and Japanese companies have made considerable investment in building their position.

The path to normalisation is not a straight one. The US could, for example, continue its gradual lifting of restrictions: allowing US airlines to fly to Vietnam, removing curbs on use of the dollar in transactions with Vietnam, allowing US companies to open offices.

Even after the trade embargo is lifted, Hanoi and Washington will need to agree on a means to resolve pre-1975 financial claims on each other. The amount of US claims on Vietnam is unknown – a register remains open in Washington. Vietnam has some $300m of deposits frozen in the US.

Since Washington would want to give US companies a chance to compete, the ending of the block on multilateral lending is generally expected to be one of the final steps of the process.

It will only be then that Vietnam can really begin to rebuild its economy.

Anti-nuclear activists lobby officials at Japan's Science and Technology Agency yesterday against the sailing of a plutonium carrier for France. They argue that the planned shipment next week of 1.7 tonnes of recycled commercial-grade plutonium is too dangerous to transport halfway around the world and is potential prey for pirates. Several countries have barred the ship, the Akatsuki Maru, from their waters and its route is being kept secret. Indonesia said yesterday it would prefer it to avoid the crowded Malacca Straits.

Japanese car sales fall 14%

By Charles Leadbeater in Tokyo

THE continued weakness of Japanese consumer spending was heavily underlined yesterday by a 14 per cent fall in new car sales last month compared with October last year.

The resulting financial pressures which the continued fall in sales is exerting on Japanese car manufacturers will be reflected in their deteriorating financial results, which are due to be announced within the next three weeks.

Nissan Motor announced yesterday that in the six months to September it had made its first pre-tax loss since the second world war.

Large luxury cars were particularly hard hit, with a 21.9 per cent fall to 47,573 units compared with October 1991. Sales of smaller cars fell by 15.6 per cent to 233,292 units.

The smallest decline was in sales of small trucks, which fell by 5 per cent to 126,960 units, while large truck sales fell by about 20 per cent to 10,618 vehicles.

The growth of new car sales reached a peak of 30 per cent a year in October 1989. Over the next year the growth of new car sales fell to zero and since then have been contracting.

However, the decline in sales has not affected car manufacturers equally.

Honda, Toyota and Mitsubishi all managed to contain the damage, while Nissan and Mazda each suffered falls of more than 20 per cent.

Toyota's sales fell to 183,296 in October, down 9.6 per cent from the year before. Honda sales fell by 9.8 per cent to 35,003, while Mitsubishi's sales were 3.3 per cent lower at 36,241.

In contrast Nissan's sales fell by 23 per cent to 84,618 and Mazda's sales were 22 per cent down at 34,380.

Sales of imported cars also declined 3.4 per cent to a total of 14,509 vehicles.

• Japan's small businesses are being badly hit by the economic downturn, with profitability at a 17-year low, according to a survey published yesterday by the Japan Finance Corporation, a government agency which provides small companies with low-interest loans, writes Charles Leadbeater.

The survey suggests that small businesses, which are the bedrock of employment in Japan despite the power of its large manufacturing groups, may be suffering the first signs of the kind of squeeze which has hit small US businesses over the past few years.

Japanese small companies, which are heavily dependent on bank lending for their finance, may be particularly hit by a more cautious approach to lending by the banks as they attempt to deal with their mounting bad loans.

Israeli strike tests plans for sell-off

By Hugh Carnegy in Jerusalem

ISRAEL'S Labour-led government yesterday faced the first industrial action against its privatisation plans when workers at Bezeq, the state-owned telecommunications monopoly, went on strike in protest at a proposal to allow private-sector competition in mobile telephone networks and some international communications.

Operator services and most repair and maintenance operations were closed because of the action by 10,000 Bezeq employees, with cover only for emergency breakdowns.

International links appeared to be functioning normally, however, and the workers did not carry out a threat to shut state radio and television services.

• Israel's prime minister, Mr Yitzhak Rabin, and his government defeated a vote of no-confidence yesterday ensuring continued support for his peace policies, Reuter reports from Jerusalem. Parliament threw out no-confidence motions from four opposition parties by 59 votes to 51 after Mr Rabin resolved a bitter row between Jewish orthodox and secular coalition partners.

Laos expects higher economic growth

By Rosario Liquicia of Reuters in Vientiane

LAOS, which has been inching towards a market economy since Soviet aid dried up, expects higher economic growth and lower inflation this year, and hopes to clinch a new credit from the International Monetary Fund.

Ms Pany Yathotou, State Bank governor, said in an interview with Reuters that Laos began talks in October with the IMF for an extended structural adjustment facility for 1993-95.

The negotiations followed the successful review by an IMF mission of Laos' economic performance under a $29m structural adjustment facility for 1991-92. "They were quite satisfied with our performance," she said.

Ms Yathotou forecast that inflation would fall to 7 per cent this year from last year's 10 per cent. Gross domestic product is forecast to grow by 6.5 per cent in 1992 and 7 per cent in 1993, compared with 4 per cent in 1991, according to government statistics.

Mr Khamsouk Sundara, director of the international department of the state bank, said Laos was seeking about $60m for the extended facility, but the IMF was proposing only $40m.

Laos has total external debt of $1.13bn, the state bank said. Of that amount, $770m is owed to bilateral lenders, and the rest to international agencies. The leading multilateral lender is the World Bank, with $175m, followed by the Asian Development Bank with $147m and the IMF with $28.5m.

Of the $770m owed bilaterally, only $28.6m is in hard currency, and the remainder represents the value of goods such as oil, machinery and equipment Laos imported from the former Soviet Union.

Officials said Laos' fragile economy, hobbled by drought and floods recently, will post stronger growth this year and next but will need continued foreign assistance to keep up the momentum.

"The government will continue with its open door policy to attract foreign investors in order to attain higher growth," Khamphoui Keoboualapha, deputy prime minister and minister of finance, told foreign reporters.

UN-Iraq accord is denounced

By Edward Mortimer

THE LATEST United Nations agreement with Iraq was denounced yesterday as "akin to Florence Nightingale making a pact with Adolf Hitler" by Miss Emma Nicholson, a British Conservative MP.

Miss Nicholson, launching an appeal to help Shia refugees from south-eastern Iraq, complained that the memorandum of understanding, signed on October 22 by Mr Boutros Boutros Ghali, UN secretary general, talked only about the north.

It was, she added, a "major rip-off" of the world's relief funds, "so incredible as to beggar belief," since it left the Iraqi government responsible for organising relief efforts for the southern marshlands, where half a million people are being subjected to "sustained military and environmental terrorist attacks" by that same government.

The memorandum was, she claimed, "contrary to all Security Council resolutions."

Ghana votes on Rawlings and reform

Economic programme is on the ballot and in the balance, writes Julian Ozanne

GHANA goes to the polls today after eleven years of military rule.

The presidential elections, the first since Flight-Lt Jerry Rawlings seized power in 1981, will be a critical test in Africa of the continent's fragile transition to democracy and sustainable economic growth.

After nine years of economic growth, Ghanaian voters are faced with a complex choice: should they stick with Flt Lt Rawlings, despite his heavy-handed leadership and well-charted human rights abuses, or should they return to the mould of two traditional political parties with a less than favourable track record on the economy since independence in 1957.

Concerns about the future of Ghana's economic reform programme in a post-electoral democratic order are also shared by international donors who have poured in about $650m a year (8 per cent of GDP) to support Ghana's drive towards economic reform.

Many donors fear that austere economic reform in Africa could be jeopardised by a wave of democratic populism.

They also believe that many of the unpopular reforms, undertaken in Ghana and elsewhere in Africa throughout the 1980s were only possible under authoritarian government.

In a recent internal World Bank document entitled "Ghana – 2000 and beyond" the Bank says that if Ghana makes the leap to self-sustainable growth it would have tremendous implications for other African countries, but it warns: "Authoritarianism often has been seen as a useful, if regrettable, expedient for effective policymaking in the face of political instability."

Rawlings: heavy-handed rule

There is little fundamental economic policy difference between the five presidential candidates in today's election. However, opponents of Flt Lt Rawlings are more critical of the austerity programme without offering a coherent alternative.

Western donors feel that at the very least a defeat of Flt Lt Rawlings would cause a period of economic policy instability and that a democratically elected president would be more inclined to pander to populist sentiments and opinion.

The question Ghanaian voters will decide, in part, is whether the past nine years of painful economic reform which has produced considerable benefits will translate into support for Flt Lt Rawlings, particularly among the rural farmers who have benefited most from better producer prices. "To a certain extent the election is a referendum on structural adjustment," said a western economist.

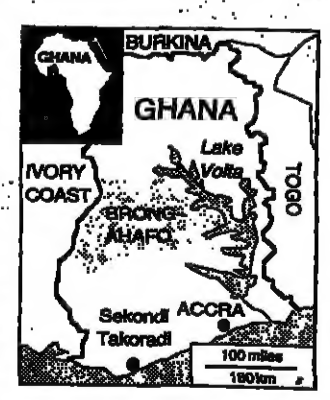
There are four contenders standing against Flt Lt Rawlings. The strongest challenger is Prof Adu Boahen representing the conservative New Patriotic Party.

He is expected to draw his support from Ghanaians who have suffered during the past decade, particularly town dwellers and sacked civil servants, and from the powerful Ashanti tribe.

However, the decision by Ghana's electorate on structural adjustment will be considerably distorted by Flt Lt Rawlings' poor track record on human rights and by the government's less than total commitment to the reform programme, which many economists say could have yielded much better results.

Donors say Ghana's economic reform faltered in the face of government reluctance to accept the critical second phase of adjustment which involves stimulating investment by releasing economic control and ownership to private foreign and local investors.

After nine years of austerity and often painful reform, many Ghanaians have yet to see significant increases in living standards. The promise of short, sharp, shock therapy for the economy quickly turning into high economic growth rates has faded.



Measures which include devaluation, liberalisation of trade and foreign exchange, a disciplined fiscal and monetary policy and retrenchment of bloated bureaucracies have given Ghana some rewards. Inflation has fallen from 123 per cent in 1983 to 18 per cent last year and the country has managed an average growth rate of 5 per cent a year since 1984.

But with population growth at around 3 per cent real per capita incomes have only grown about 2 per cent. When savings are deducted, real per capita consumption is even less. If economic and population growth continues at current levels, economists estimate it will take Ghanaians 40 to 50 years to double their incomes, presently at a paltry $400 a year.

The critical question facing Ghana, as in many other adjusting countries in Africa, is how to move to self-sustainable accelerated growth of 8-10 per cent a year where private flows of capital and export growth replaces aid-dependence.

To achieve this gross investment will have to increase significantly from 16.5 per cent of GDP in 1991 to 20-25 per cent over the next five years and national savings will have to rise from 13.1 per cent to 20 per cent of GDP.

A private sector working group has made recommendations to government of measures to be taken. The list includes speeding up divestiture of 330 state-owned companies including 17 classed as "strategic", slashing bureaucratic obstacles to foreign and local investment and reducing the role of the Ghana Investment Centre from an overly-protective body to a facilitatory and promotional one.

Many Ghanaians feel that Flt Lt Rawlings, with his distaste for private profit enterprise, has been a big obstacle to the fundamental change in attitudes which need to be taken towards foreign investors and businessmen to achieve much higher growth.

However, any incoming elected president will face the same challenges and tasks: deepening the reform programme and accelerating economic growth while dealing with the new post-electoral democratic reality.

China-Germany ties normalised

GERMAN Foreign Minister Klaus Kinkel yesterday declared relations with China normalised, ending three years of coolness that followed the bloody crackdown on the Tiananmen Square democracy movement, AP reports from Beijing.

Germany, like other western countries, imposed sanctions on China following the army attack on the demonstrators in Beijing in June 1989. Aid and ministerial visits were suspended.

The sanctions have largely been dropped, but only last March, German Chancellor Helmut Kohl told Chinese Foreign Minister Qian Qichen in Bonn that a "visible change in Chinese human rights policies" was necessary for a full return to normal relations.

Mr Kinkel, holding a news conference as he neared the end of his three-day visit to Beijing, refused to say why Germany had dropped that condition. However, he emphasised China's economic dynamism and the size of its domestic market, as well as Germany's desire to reverse its trade deficit with China.

Since Mr Kohl's meeting with Qian, China has pushed its market reform programme into high gear after a hiatus of four years, and promised to reduce import barriers.

"After this visit has been concluded, we can take it that relations are normal," Mr Kinkel said. "Both sides have the intention to look forward."

Mr Kinkel said he discussed human rights with Qian and Prime Minister Li Peng but refused to give any details of what was said. He said quiet diplomacy was more effective than "making a lot of noise about what one does".

Asked if he discussed political reform in China, he said, "I don't think I should be the person to interfere in the internal affairs of this country. I am not an adviser to the Chinese government."

Laotian project slashes drugs output

The UN is being urged to adopt a new multi-agency approach, reports Ian Hamilton Fazey

THE United Nations is to be asked to change radically its approach towards the illicit drugs trade, in a renewed campaign to stamp out illegal cultivation of opium, coca and cannabis around the world.

A pilot project in Laos, in the "golden triangle" drug-growing region of south-east Asia, is said to have cut annual opium production by at least 75 per cent in the area involved.

UN policies have in the past been heavily weighted towards localised crop substitution, coupled with tough law enforcement to deter farmers from reverting to growing drugs. The policy was a fire-fighting one and failed because many farmers have taken the money to grow new crops in one place while shifting drug production elsewhere, usually involving other members of their families or ethnic groups.

The change has required planned, co-ordinated management of UN agencies, funding bodies and international aid from developed countries, all of which were poorly co-ordinated before. Mr Giorgio Giacomelli, executive director of the UN's Vienna-based Drug Control Programme (DCP), will this month seek General Assembly approval to extend the approach worldwide.

One of the first areas to benefit is likely to be the Bekaa Valley in Lebanon, where the Syrian army has already eradicated drug production this year.

The new approach has been to build roads and foster general economic and social development over a wide area, rather than just pay grants to individual farmers to switch to legal cash crops, such as strawberries and cabbage, in small localities.

In spite of this, growing drugs has rarely raised families much above subsistence level because cultivation is mostly a cottage industry. The advantages offered by opium, however, have been high value-to-weight ratios, easy storage and ready buyers to feed it into the international criminal drug market. The big profits are made by refiners, distributors and dealers, not the growers.

Moreover, a slash-and-burn approach to clearing land for growing has been environmentally damaging, hindering long-term agricultural development.

The Laos pilot project has been operating for five years in the Muong Hom district of Vientiane province.

The location of all poppy fields is known. The DCP says many growers, predominantly members of the Lao Soung, an ethnic minority, were encouraged to grow opium by military factions during various stages of recent Indochinese wars.

Because of the resultant local dependence on opium growing and the need for national integration of ethnic minorities in peacetime, the Laotian government decided against simple eradication of poppy fields and rigid law enforcement. It asked for help in trying wide-scale economic development first.

Money has come from the International Fund for Agricultural Development (IFAD), with a soft loan of \$5.3m and \$6m from the DCP. The Japanese government has given farming equipment worth \$800,000.

Road construction has been labour-based to help create work and develop skills for more road-building later, while agricultural schemes have involved livestock development, rural credit schemes, irrigation projects and setting up advisory and supporting services. There has also been investment in primary health care, basic education, community and self-help activities, treatment of drug addictsand training planners.

The DCP's funders – mainly Italy, the US, Japan, Britain, Germany, France, Sweden and other west European nations – are understood to be relieved about the new approach. They had been increasingly concerned that the global war on drugs was being lost partly because of unco-ordinated efforts and inter-agency rivalry.

Mr Giacomelli says the DCP will co-ordinate and be a pump-primer, but will not try to do everything itself. Working arrangements are being developed with the World Bank, the Interamerican Development Bank, IFAD, and other UN agencies, such as the World Health Organisation, Unesco, the UN Development Programme and the International Labour Organisation.

Each will be encouraged to develop a "drug dimension" to all economic development projects in drug-producing countries of the third world. Bilateral projects – where an individual western country puts in earmarked money directly – will enable "our larger and richer partners to intervene with a multiplying effect," Mr Giacomelli says.

DCP officials acknowledge that trying to stamp out the problem at source appears to have been recognised as futile on its own, especially if the illicit drug trade accounts for 12 per cent of gross domestic product, as is the case in at least one South American country.

Allied to this will be other worldwide programmes aimed at fighting drug trafficking, making money laundering more difficult, and building solid institutions in developing countries for law enforcement and administering justice. Programmes are also being developed for reducing demand for drugs in the market-place, so that traffickers will be squeezed from both ends as well as in the middle.

Kazakhs forge links with Iran

PRESIDENT Nursultan Nazarbayev of Kazakhstan and Iran's President Hashemi Rafsanjani yesterday signed oil, transport and finance agreements, the official Islamic Republic News Agency said, AP reports from Nicosia.

Secular Turkey and fundamentalist Iran, both Moslem states, are locked in fierce competition to gain political and economic influence in Moslem-populated former Soviet republics.

The agency, monitored in Cyprus, quoted Mr Rafsanjani as saying speedy progress in talks between the two countries showed their eagerness to work together.

The agreements called for creation of a joint commission for co-operation in the fields of economy, transport and culture. Letters of understanding also were signed for oil, energy and banking collaboration. No further details were given.

The Kazakh leader earlier met Iranian spiritual leader Ayatollah Ali Khamenei, who stressed that Iran "supports the idea of the unity of Asian countries", the agency said.

Mr Nazarbayev had been welcomed by Mr Rafsanjani when he arrived in Tehran on Saturday from the Ankara summit of five former Soviet republics with large Moslem populations and close ethnic and linguistic links to Turkey.

Mr Nazarbayev's visit to Tehran immediately after the Ankara meeting was seen as an indication he did not want to be seen as favouring either Turkey or Iran as they struggle for influence in the region.

Mr Rafsanjani was quoted as saying yesterday: "The world should know that co-operation among Moslem countries is not something for them to worry about, because Islam is the religion of logic and reasoning and so does not need to be offensive."

The Iraq-based Mujahideen Khalq, the main Iranian opposition group, says Kazakhstan has sold several nuclear warheads to Iran.

Iran and Kazakhstan, the only Central Asian republic known to possess nuclear weapons, have denied the allegation.

US intelligence reports also have said there has been no evidence of such a sale.

Turkmenistan gas pipeline deal

By John Murray Brown in Ankara

A US-Turkish consortium has signed an agreement with the government of Turkmenistan which officials say paves the way for the group to build a natural gas pipeline to Europe, a deal worth an estimated \$4bn.

The consortium, led by Emron and Wing Merril of the US, together with the local Turkish group Gama Guris, signed an accord with President Saparmurad Niyazov during the summit of Turkic leaders in Ankara at the weekend.

The accord envisages a feasibility study of the six possible routes to export the gas from the landlocked Central Asian republic. Officials said Kidder Peabody, the US investment bank, was being approached to organise the financing.

The deal ends months of anxiety that Turkmenistan would seek to export its gas via Iran.

The consortium confirmed yesterday that Botas, Turkey's state-owned pipeline company, would be asked to join. Botas has proposed the pipeline run under the Caspian sea to Baku in Azerbaijan, and from there through the Caucasus to Turkey, where it would pick up the existing gas pipeline to Europe.

For hydraulics and technical reasons, engineers at Botas have identified a route passing along the Araz river on Armenia's southern border with Iran. The consortium is understood to be in direct negotiations with Armenia, though Turkey does not have full relations with Yerevan.

Turkmenistan produces about 86bn cubic metres of gas a year, of which 8bn is consumed domestically. Reserves are estimated at around 13 trillion cu m of gas in its Sovyetabad field. Botas says Uzbekistan might be able to feed its own smaller production into the pipeline.

Turkey itself imports 5bn cu m of gas every year, much of it from Russia. Construction is almost complete for a 2bn cu m capacity gas terminal near Istanbul to receive Algerian gas. Negotiations are also under way to receive Qatar and Libyan gas. But much of the Turkmen exports would be destined to pass through Thrace to European markets.

MI5 knew of supergun, court told

By John Mason

BRITISH security officers were first told in May 1988 that Iraq was planning to build a gun capable of firing large shells, it was claimed at the Old Bailey court yesterday.

Barrister Mr Geoffrey Robertson told the central London court that Mr Mark Gutteridge – an employee of Matrix Churchill, the machine tools manufacturer at the centre of a prosecution over illegal exports to Iraq – told MI5 about Iraqi plans to co-operate with SRC, the company run by the late Mr Gerald Bull, to build a 210mm shell.

"This was the first inkling of the supergun," he said.

The allegation emerged in the third week of the trial of three former Matrix Churchill directors, Mr Paul Henderson, Mr Trevor Abraham and Mr Peter Allen. They all deny breaching export regulations by pretending that machine tools exported to Iraq were for civil, not military, use.

An MI5 officer, giving evidence anonymously, said Mr Gutteridge had talked to him about SRC but he could not now remember details of the conversation.

Their relationship was typical of those between MI5 and businessmen, he said – a fine balance of asking for help for the best of reasons and the possible commercial consequences.

"One hopes one's contacts are robust enough to cope with it, but that is not always so," he said.

The trial continues today.

Tory rebels defy government

By Ralph Atkins

BRITISH opponents of closer European union yesterday claimed more than 40 MPs from the ruling Tory party would oppose the government in the Parliamentary debate on the Maastricht treaty.

The determination of the so-called Euro-sceptics to defy the government coincided with the growing isolation of the centrist Liberal Democrats, who have found themselves set apart from other opposition parties after rallying behind a pledge to back the government motion in tomorrow's debate.

Mr Paddy Ashdown, party leader, has seriously bruised relations between Liberal Democrat and Labour MPs – and promoted a series of attacks from other opposition leaders – by insisting his attachment to European union is paramount.

Of the party's 20 MPs, 19 are expected to vote with the government.

Their support could undermine the Tory revolt, although Conservative party managers hope some Euro-sceptics will back the government following a key meeting on tactics to be held in the House of Commons tonight.

Several independent calculations put the likely number of Tories ready to vote against the government at slightly under 30, plus several more now moving towards the abstentionist camp.

At their strategy meeting, the Euro-sceptics must choose between opposition by voting against the government motion, abstention or supporting the Labour amendment calling for the committee stage – when the details of the legislation will be scrutinised by MPs – to be delayed until after December's Edinburgh summit.

Liberal Democrat party managers, meanwhile, were yesterday trying to counter Labour's assertion that the issue at stake was the government's handling of Maastricht, ridiculing suggestions that a defeat would force Mr John Major to call a general election.

Other opposition parties, including the Scottish and Welsh nationalist, have urged them to reconsider.

Last night, however, one veteran Labour parliamentarian predicted that there was no possible way the government would be defeated in the debate. "At the very best, we will give them a good scare," he said, "and badly weaken John Major into the bargain."

Industry association seeks government supervision for first time

Pension fund reform urged

By Norma Cohen, Investments Correspondent

BRITAIN'S pension fund trade association yesterday called for a compulsory compensation scheme for pension funds which would for the first time require government supervision of the industry.

Mr Brian McMahon, chairman of the National Association of Pension Funds, said: "It is the NAPF's firm belief that the members of pension schemes must be able to have absolute confidence in the security and integrity of those schemes." Council has therefore, come to the conclusion that there needs to be a compulsory compensation scheme to cover all members of approved pension schemes."

Mr McMahon said he believed most NAPF members favoured the creation of a compensation scheme, although he acknowledged there were concerns about the expense.

The government's Pension Law Review Committee, chaired by Professor Roy Goode, has been charged with examining the feasibility of a compensation scheme, and NAPF will submit its plan to the Goode Committee for consideration.

The plan would require the establishment of a new government agency to oversee and administer the compensation scheme, and all schemes would be forced to join. It would pay the pensions of those members whose assets had disappeared through fraud or mismanagement or for any other reason.

The new government body would be responsible for enforcing rules on pension fund administration designed to minimise potential claims on the scheme.

Pension fund law is already under review by Professor Goode's committee and the new body would have to monitor compliance with any changes brought in on the basis of his recommendations.

These rules are those which the government is expected to lay down to protect future pensioners against frauds such as that by the late Mr Robert Maxwell.

The plan would be funded by "risk-related" premiums assessed on each scheme in which those schemes which followed industry best-practice would bear the lowest relative cost.

Assurance for Yugoslav refugees

By Ivor Owen, Parliamentary Correspondent

NO refugees from the former Yugoslavia would be returned to war zones after being refused political asylum in Britain, Mr Kenneth Clarke, the home secretary, assured the House of Commons last night.

He said the government was considering assisting local authorities around London's Heathrow airport and other points of entry, which are straining to accommodate large numbers of refugees from Bosnia and other areas.

Mr Clarke faced a barrage of protests from Labour MPs when he defended government proposals for the speedier removal from Britain of bogus applicants for political asylum.

He was also attacked over provisions in the Asylum and Immigration Appeals bill to remove the right of appeal for relatives of British residents refused entry into Britain for visits of up to six months.

Mr Tony Blair, Labour's spokesman on home affairs, said the bill was "profoundly flawed" despite improvements over an earlier version.

It would put a 48-hour limit on appeals by those whose applications for political asylum had been ruled out by immigration officials at British ports.

Britain in brief

ICI blames closures on power prices

ICI, Britain's largest company, has announced the closure of two chlorine plants in Lancashire, north-west England, as the direct result of rising electricity prices after privatisation. About 100 jobs will be lost when the plants shut down next year.

The company says it has lost £30m in sales and £20m in profits this year because it cannot afford to run its chlorine plants for long enough to meet export demand. Home markets are now looking increasingly vulnerable.

Mr Mike Brogden, chief executive of ICI Chemicals and Polymers, said the company's chlor-chemicals business was no longer making money. Electricity accounts for about 70 per cent of variable costs, compared with about 60 per cent before privatisation. In monetary terms this works out at £60m of extra costs per year.

Lamont to meet unionists

Mr Norman Lamont, chancellor of the exchequer, will meet trade union representatives today to discuss ideas for promoting economic growth.

In the first bilateral meeting between the Trades Union Congress and the chancellor since the early 1980s, the TUC will press the main points of its plan for national recovery, and point out the problems associated with a public-sector pay freeze.

Clowes auditor faces writ

Spicer & Pegler, the accountancy firm which is now part of Touche Ross, has been issued with a writ concerning its audit of Barlow Clowes, the disgraced fund management company closed by the Department of Trade and Industry in 1988.

Touche, with which it merged in 1990, confirmed that a protective writ had been issued but not served, and it has not received a statement of claim quantifying the size of damages sought. The collapse of Barlow Clowes triggered compensation payments by the government to 18,000 investors totalling £150m following a concerted campaign.

HK investment near collapse

A £20m project described in 1989 as the largest direct inward manufacturing investment in Europe from Hong Kong has gone into receivership.

The Hartlepool video tape plant set up by Swilynn (HK) was expected to create 500 jobs in a high-unemployment area and was offered £5m in Regional Selective Assistance from the Department of Trade and Industry. But European demand for its products was lower than expected and plans to make video boxes at Hartlepool faltered when it proved cheaper to import them.

Dockyard plan attacked

The Scottish Office has been accused of taking a defeatist attitude to the possible closure of the Rosyth naval dockyard when it emerged that Scottish Enterprise, the development body, is drawing up contingency plans for alternative uses of the facility.

Scottish Enterprise and the local enterprise companies have been considering alternative uses for the Rosyth dockyard site, including a business park and an industrial estate. A plan for making land next to the naval base which adjoins the dockyard into a roll-on roll-off ferry terminal is also being examined, though this could be set up even if the dockyard stayed open.

Brewers to inform OFT

The big four brewers – Bass, Allied-Lyons, Courage and Whitbread – have undertaken to supply yearly details of the size and composition of their pub estates to the Office of Fair Trading (OFT).

The information will enable the OFT to monitor compliance with the government's orders that required the national brewers to dispose of 12,000 pubs, about a third of their estates, by last weekend. As a result of the orders, national brewers own 31.6 per cent of the country's pubs, compared with 43 per cent in 1986.

BBC launches US operation

BBC World Service Television has launched its first North American operation with the start of services on CBC's 24-hour Newsworld channel, giving access to 6.5m homes in Canada. The move into North America brings closer to reality the promise made earlier this year by Sir Michael Checkland, director general of the BBC, that World Service Television would be available worldwide by the end of 1993.

Delors starts Ulster visit

Mr Jacques Delors has arrived in Ulster for the start of a two-day visit, his first as European Commission president. He met business and trade union leaders in Belfast, who were expected to lobby for EC funding for plans to link Northern Ireland to power grids in Great Britain.

Brick maker cuts 340 jobs

London Brick, Britain's biggest brick maker, is to make another 340 workers redundant by the end of the year because of a continuing fall in demand from the construction industry.

RiverBus boost

RiverBus, the loss-making Thames services, has received a further financial bail-out from the administrators of Canary Wharf and London City Airport pending a decision on its future. The company said discussions on a long-term solution were "progressing".

THE government should "kick out" the props supporting expensive power if it wants a more competitive energy market with better prospects for coal, Mr Ed Wallis, chief executive of PowerGen (above), said yesterday. Mr Wallis was referring mainly to Nuclear Electric, the state-owned utility, which receives more than £1bn a year from the nuclear levy. He told the Coal Industry Society: "We should remember that Nuclear Electric would be insolvent without the nuclear levy. But with the levy at its present level, Nuclear Electric is, on paper, the country's most profitable generating company."

French lessons for mining

William Dawkins assesses the impact of long-term planning on coal

What future for coal?

THE British government could look for useful lessons on its pit closure programme to the slow euthanasia France is administering to its state-owned coalmines.

Since the early 1960s France has lost 200,000 coal jobs – 35,000 of them in the past eight years – without creating a revolution.

Two years ago, the last mine in the northern region of Nord Pas de Calais, historically the heart of the French coal industry, closed without a public murmur. Most of the remaining 17,000 jobs and all the remaining mines, in Lorraine on the Belgian and German borders and in Centre-Midi, southern France, will go by 2005. All that will remain by then will be a handful of coal-related businesses that still have a commercial future, such as the dozen engineering groups, construction businesses and compressed coal-brick makers now left in Nord Pas de Calais.

Pit closures were greeted with misery and violence, but nothing on the scale of the demonstrations in central London last weekend or the 1984-85 national coal strike faced by Mrs Margaret Thatcher's government.

France's tradition of long-term planning has allowed it to bleed the industry to death in measured drops over the years, so that the drowsy victim has hardly felt a twinge. Former miners have also been anaesthetised by generous state compensation, and a total of FFr4.5bn (£530m) a year in pensions, housing and heating that will continue to be paid to their widows after their lifetimes.

On top of that, Charbonnages de France, the national coal board, receives FFr2.4bn annual production aid to keep the surviving pits going until their closure deadline.

The regions affected have also been handsomely compensated. A fifth of the state's total budget for local economic development has, for example, gone to Lorraine alone over the past five years, for spending on roads, business parks and job-creation schemes.

However, France's long-term planning for coal has not been quite as smooth as it looks. As in the UK, there have been changes of heart over whether the coal industry should be allowed to die, merely shrink or be revived. Yet successive French governments could not ignore the fact that high mining costs and the country's relatively low-grade coal could never compete in the long term with cheaper high-grade imports from the US – France's biggest coal supplier – and Australia and Germany.

The first decision to run down the French coal industry dates from the mid 1960s, but went through a reversal when the 1973 oil price shock momentarily made domestic coal look competitive again. Closures resumed in the early 1970s, when France launched what was to become Europe's most ambitious nuclear power programme, which now supplies three quarters of the nation's electricity.

Another quick U-turn took place when the Socialists came to power in 1981 and ordered coal output to rise by a third by the end of the decade, only to revert to the closures in 1984, under the pressures of falling prices of coal and oil imports. The new government had in any case abandoned its early experiment with go-it-alone economic expansion and changed to the budgetary rigour it has followed since.

Being able to plan job losses over the long term has enabled the French coal board to avoid redundancies since the closures got under way again in 1984, says Mr Francis Asseman, its secretary-general. Most of the job losses since then have been achieved by early or natural retirement, plus a freeze in recruitment.

That is not the whole story, though. France's ex-miners receive generous treatment, even by the standards of their colleagues in other troubled industries such as agriculture, cars or steel. That is partly due to the sheer weight of the coal industry, but also because the government recognises that miners, by nature of their jobs, find it less easy to adapt to other work.

Electricité de France, the electricity board, for example, has an agreement to employ a quota of ex-miners, while those who want to work in other industries qualify for a grant of up to FFr300,000, plus free training. The French coal board also helps former miners look for new jobs and pays their salaries for a two-month trial with new employers.

Foreign companies are one of the main sources of new jobs, attracted to Nord Pas de Calais and Lorraine by generous regional aid, low labour costs and the good communications in those regions.

On top of that, there is a small venture-capital fund, Sofirem, launched in 1967, which invests roughly FFr100m a year in business start-ups or the expansion of existing companies. It has a FFr1bn portfolio of small-business equity stakes and also helps potential entrepreneurs present cases to bank lenders. Sofirem works closely with FIBM, an industrialisation fund run by the coal board, which subsidises the creation of business parks and factories and the acquisition of machinery. Some of FIBM's clients are also funded by Sofirem.

Mr Richard Muller, head of industrialisation for the Houillères (coalfields) du Bassin de Lorraine, reckons that the system costs the public purse about FFr100,000 for each job created and that the failure rate of Sofirem-helped businesses is about 15 per cent. He observes: "On an international comparison, we think that is pretty reasonable."

THE WEEK IN LUXEMBOURG

Discriminatory UK patent licence rules overturned

EUROPEAN LAW

The European Court last week overturned UK rules on the granting of patent licences because they were discriminatory.

The case, which had been referred to Luxembourg by the English Court of Appeal, concerned the granting of licences of right. UK rules distinguished between the owner of a patent manufacturing the patented product in the UK and manufacturing it elsewhere in the European Community.

Where the product was manufactured in the UK a licensee would be denied the right to import the patented product from a third country. But where it was manufactured elsewhere in the Community the licensee would be allowed to import it.

The Court ruled that, although the restrictions applied to third-country imports and were thus not *per se* covered by EC rules on free movement of goods, the criteria by which the restrictions were applied affected trade between EC states and therefore fell foul of EC rules.

The UK rules were discriminatory because they encouraged patent owners to manufacture patented products in the UK rather than import them from other EC countries.

The court also ruled on the validity of certain rules relating to the accession to the Community of Spain and Portugal which restricted parallel imports from those countries until 1995.

The Court said that national authorities in the other 10 member states were entitled to restrict patent licensees from importing patented products from Spain and Portugal as long as the EC derogating provisions were observed.

C-191/90 Generics (UK) Ltd and Harris Pharmaceuticals Ltd v Smith Kline and French Laboratories Ltd, ECJ FC, October 27 1992.

Strict interpretation of milk quota rules

The European Court upheld a decision of the Irish authorities in refusing to grant an Irish dairy farmer a milk quota on the basis that he was not producing milk during the period when the quotas were set.

Under Community milk quota rules only those farmers producing milk during a particular year were allocated quotas. The EC countries were allowed to choose any year between 1981 and 1983 as a reference period. Ireland chose 1983.

The rules allow EC states to take into account exceptional circumstances, but only to the extent that the producer could choose another year between 1981 and 1983.

The Irish farmer had been unable to work, through ill health, between 1980 and 1984 and therefore fell outside any of the available reference periods.

The court said the principle of legitimate expectation had not been infringed. Reference periods had to be limited if the milk quota system were to work.

C-85/90 William Dowling v Ireland, the Attorney General and the Minister for Food and Agriculture, ECJ 3CH, October 22 1992.

German VAT rules for travel agents illegal

German rules on VAT exemptions for travel agents were held to be invalid by the European Court because they went beyond measures set out in EC legislation.

The German rules allowed no VAT to be charged on trips organised by German travel agents but carried out by non-German tour operators when the trips were either outside the Community or they involved air or sea transport which was international or outside German tax territory.

Under Community VAT rules such third-party exemptions were only allowed if the work was carried out outside the EC. The exemptions for air and sea transport partly or wholly within the EC were therefore incompatible with EC legislation.

C-74/91 Commission v Germany, ECJ FC, October 27 1992.

Community powers in agricultural aid schemes upheld

The Court upheld the Community's powers to impose a surcharge or exclude farmers completely from certain agricultural aid schemes if they were found to be guilty of irregularities when applying for aid.

Under EC rules, national authorities were obliged to exclude farmers for one year from the relevant aid schemes and the Commission was entitled to levy a surcharge.

The German government claimed the Community was not entitled to exclude farmers from aid schemes and that only the Council of Ministers was entitled to impose surcharges.

The Court said the exclusion powers fell within the aims of the Common Agricultural Policy, the Community had the right to determine such measures and they were justified because they discouraged irregularities in aid applications. The Court also said the Council was entitled to delegate the power to impose surcharges to the Commission.

C-240/90 Germany v Commission, ECJ FC, October 27 1992.

Wide interpretation given to EC definition of medicine

In a case involving South American herbal teas imported and sold in Holland for their therapeutic qualities, the Court ruled that, even though such products were not generally considered as medicines and their therapeutic effect had not been proved scientifically, they were still medicines under EC legislation and thus had to be registered with the public authorities.

C-219/91 Johannes Stephanus Wilhelmus ter Voort, ECJ 5CH, October 28 1992.

Stolen goods not susceptible to import levies

A consignment of sugar to be sold outside the EC which was stolen before it could be exported from Belgium was not subject to import levies by Belgian customs on the ground that it was technically of non-Community origin, because no importation had actually taken place.

C-294/91 Belgium v NV Suiker Export, ECJ 1CH, October 27 1992.

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

Bond to run HSBC from London

HSBC Holdings, the parent of Hongkong Bank and Midland, yesterday announced the appointment of John Bond, the bank's head of operations in the US, as group chief executive officer, as from January 1.

Bond, who is 51, will take over the reins from William Purves, 60, who will stay on as chairman of the group. Bond will be the first chief executive to run the bank from London, rather than Hong Kong where it was founded in the 1840s. Purves is expected to move to London next autumn.

Bond joined Hongkong and Shanghai Bank in 1961. He has had a copybook career, serving extensively throughout south east Asia and Hong Kong, but his career as a senior executive of the bank has been one of troubleshooter.

In 1983 he was brought in to head Wardley, the bank's merchant banking arm, which was recovering from scandal surrounding the collapse of the Carrian property group in the early 1980s.

When Purves was deputy chairman of the bank, he had been responsible for a review of management and standards and is thought to have recommended Bond for the job.

In June 1991, he was appointed president and chief executive officer of Marine Midland Banks, based in Buffalo, New York state. Until his arrival, Marine suffered chronic losses and required frequent capital injections from its Hong Kong parent. It had been hit particularly hard by the Latin American debt crisis of the early 1980s and the collapse in the US property market in the late 1980s.

Bond conducted a review of the bank's operations which led to deep staff cuts, and the quitting of unprofitable lines of business. The result is that Marine – once a leading money centre bank – has been redefined as an up-state New York lender to small and medium-sized business; it made a $73.5m profit in the first nine months of this year compared with a $166.2m loss in the same period of 1991.

HSBC also announced that John Gray, who was appointed chief executive of Hongkong Bank at the beginning of this year, will become chairman and chief executive of Hongkong and Shanghai Banking Corporation at the beginning of next year. James Cleave is to become president and chief executive officer of Marine Midland.

Hawtal Whiting, the Essex-headquartered vehicle design and engineering consultancy which now derives more than half its turnover from outside the UK, has achieved a minor coup.

Coming on board as a non-executive director is Bill Hayden, the crusty former Ford of Europe manufacturing director whose final task, for the two years before retiring in April, was starting to sort out the manufacturing problems it had acquired when it bought Jaguar, as its chairman and chief executive.

It was Hayden who on his arrival described manufacturing conditions at Jaguar as worse than in any plant he had seen outside a few Russian factories in Gorky.

Never the world's best pr man – the "Gorky" remarks did not work wonders for the morale of either its workers or Jaguar's new owners – Hayden, 62, nevertheless brings to Hawtal a wealth of manufacturing/engineering experience acquired with Ford since 1960. His manufacturing knowledge is of rapidly growing importance because vehicle design is becoming much more integrated with the manufacturing process through "simultaneous" engineering.

Insurance

■ Neil Lewis, chairman and md of Neil Lewis Associates, a subsidiary of Oriel, has been appointed deputy chairman of ORIEL GROUP.

■ Jackie Aggett has been promoted to be a director of Nicholson Stewart-Brown, part of NICHOLSON CHAMBERLAIN COLLS.

■ Ted Tilly has been appointed chairman and chief executive and Marcia Whitaker finance director of FINANCIAL INSURANCE GROUP.

■ John Plant has been appointed joint deputy chairman of CLAREMOUNT UNDERWRITING AGENCY.

■ Steve Broughton has been appointed a director of SUN ALLIANCE UK, and John Emerson a director of Sun Alliance Management Services.

Buffett quits Gardiner

Gardiner Group, the UK-based distributor of security and surveillance products, faces further boardroom changes following Tom Buffett's decision to retire as non-executive chairman in order to concentrate on his commitments as chairman of Automated Security (Holdings), the electronic security group.

Yashar Turgut, chief executive, will temporarily assume additional responsibilities pending the appointment of a new non-executive chairman.

Earlier this year Gardiner was forced to replace Ian Nellist, its former finance director who resigned by mutual consent after the group reported pre-tax profits well below City expectations. Subsequently, Harvey Samson was named group finance director in July.

Yesterday the company also announced the appointment of Jeff Caplan to the board as director with responsibility for directing and developing the group's CCTV businesses. Caplan is currently managing director of Multi-Video Distribution, Gardiner's specialist CCTV operation which was acquired in 1991.

Peter Blenkinsop, 48, has been appointed a non-executive director; he has been involved in the security industry for more than 20 years and was managing director of Scantronic Holdings which included responsibility for Alarm Parts, subsequently bought by Gardiner.

MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Getting together to discuss co-ops

Workers' co-ops have failed to achieve the same prominence in the UK as in many continental European countries though their supporters continue to hope for a breakthrough.

A range of issues relating to employee ownership will be discussed at a conference, Strategies for Democratic Employee Ownership, to be held in London on November 13-14.

Speakers from the US, Spain, France and Italy as well as the UK will describe the different national means of employee ownership and the policies which support them.

Contact Industrial Common Ownership Movement, Vassalli House, 20 Central Road, Leeds LS1 6DE. Tel 0532 461738.

Debt advice is a phone call away

A telephone advice service for small businesses facing debt problems has been launched in Birmingham.

Staff of the Birmingham Business Debtline* will provide initial help over the telephone and send out a self-help booklet but business owners with more complex problems can visit the Debtline's offices.

The phone line is open 22 hours a week, including two evenings up to 7pm, while an answerphone operates if the switchboard is shut. The Debtline was the idea of the Birmingham Settlement, a charity.

Tel 021 236 0595. Swan House, Hospital Street, Hockley, Birmingham B19 3PY.

VAT inspectors rake in a record

Value added tax inspectors made fewer visits to businesses in 1991-92 but collected more tax.

The number of visits fell from 440,000 to 426,000 in the year ended March 31, 1992 but additional tax collected rose from £1.16bn to a record £1.48bn, according to the annual report of Customs & Excise.

An extra £27m was collected in the form of serious misdeclaration penalties while £43m was levied in default interest charges.

Charles Batchelor looks at the effectiveness of schemes which support small and medium-size enterprises

Europe aims to seize initiative

How will Europe's small and medium-sized businesses fare over the next few years as the single market becomes established and if the provisions of the Maastricht Treaty come into force?

Ultimately the fortunes of business depend on the ability of entrepreneurs and managers to respond to change but governments and the European Community have an important role to play. The 12 community member governments operate no fewer than 420 national initiatives for their smaller businesses while the European Commission has a further 70 EC-wide programmes, according to a new study* by the Dutch Research Institute for Small and Medium-sized Businesses.

Just how well attuned these programmes are to the needs of smaller firms and how effective they are in achieving their objectives was revealed at a two-day conference, Gateways to Growth, in Birmingham last week as part of the British presidency of the EC.

That special attention needs to be paid to the interests of the small and medium-sized enterprises (SMEs) – businesses employing up to 500 people – seems in little doubt. Of the 11.6m enterprises in the EC, 92 per cent employ fewer than 10 people (and of these, 52 per cent employ no-one but the owner) while a further 7.8 per cent have between 10 and 500 employees.

Apart from their sheer numbers, smaller firms deserve support because they are far more important than large ones in creating employment – they already account for 71 per cent of jobs.

Number of enterprises & employment provided in the EC, 1988

Size class (employees)	Share of number of enterprises	Employment share
Micro (fewer than 10)	92.1%	29.8%
Small & medium (10-500)	7.8%	41.3%
Large (more than 500)	0.1%	28.9%

Source: Enterprises in Europe; Eurostat, DG23

Despite the importance of their SMEs, governments in the EC have not all established clear policies and have not made sure that small firms' policies fit in with their broader social and economic policies, Joop Vianen of the Dutch small business institute told the conference.

This failure means that policies often do not achieve the desired results. Other government ministries involved in areas such as physical planning, education and finance are unable to take the specific needs of SMEs into account.

While national governments, particularly in the less prosperous EC countries, are ready to intervene directly by providing loans, loan guarantees or grants, the Community takes a less interventionist approach. It concentrates on helping in areas such as information, counselling and cross-border co-operation.

Much of the EC small firms policy is carried out by its directorate general for enterprise, DG23. Small business groups throughout Europe have become concerned in recent months that DG23 may lose its independence and its activities will be absorbed by the directorate general for industry, DG3, as part of a streamlining of the Commission.

Antonio Cardoso e Cunha, commissioner in charge of enterprise policies, announced plans for a four-year extension of the enterprise programme when the current programme expires in December 1993. Cardoso e Cunha also promised an independent annual review of the state of small businesses in the Community.

Whether future SME programmes are run by an independent DG23 or by DG3, small firms policies need to be given a tougher edge. They should give small businesses greater access to existing large-scale EC programmes. These were among the conclusions of the the first detailed study of the effectiveness of the Community's small firms activities, carried out by Deloitte Touche Tohmatsu, consultants.

DG23 sometimes found it difficult to obtain the co-operation of other directorates because they regarded DG23's activities as constraining their own freedom of action, the consultants reported. DG23's response was to avoid conflicts and adapt its ambitions so as not to damage its links with the other directorates.

"This pragmatic position may be effective but it tends to introduce a gap between the expectations of SMEs and the reality of policy represented by DG23," the report said.

In a detailed study of existing small firms programmes, the consultants called for a review of DG23's network of Euro-Info Centres, which absorb 40 per cent of its budget. The centres should stop providing general information on the EC and hand over detailed advice activities to the private sector so that they can concentrate on practical information on individual markets and the single market as a whole, the consultants said.

One of DG23's most controversial activities is its assessment of the impact of new legislation on small businesses. This often causes friction with other directorates but has been criticised by small business groups as being ineffective.

The Commission will later this month ask EC industry ministers to approve plans to publish at the start of each year a list of measures which will be assessed. This will allow small business organisations to object or to suggest additions to the list. The Commission also wants the impact assessments to be published in the EC's official journal, alongside details of the proposed legislation to which it relates.

Many of these changes have long been sought by small business lobbyists. But small business organisations themselves must become better organised if they are to make their voice heard. With the Brussels bureaucracy heavily staffed by technical experts, specialist trade organisations representing industry sectors such as chemicals or packaging have often proved more effective lobbyists than the more broadly-based small business organisations.

**Small and Medium-sized Enterprise Policy in the European Community. Research Institute for Small and Medium-sized Business. PO Box 7001, 2701 AA Zoetermeer, The Netherlands. Tel 31 79 413634.*

Instruments per policy field in EC countries

Policy field	Belgium	France	Germany	Ireland	Italy	Netherlands	Spain	UK
General tax policy	☆☆	☆	☆☆	☆	—	☆☆	☆	☆☆
Regional development	☆	☆☆	☆☆	☆☆☆	☆☆	☆	☆	☆☆
Tech and R&D	☆☆	☆☆☆	☆☆☆	☆☆☆	☆☆	☆☆	☆☆	☆☆
Supply and sub-contracting	☆	☆	☆	☆	—	☆	☆	☆
Export	☆☆	☆☆	☆☆	☆☆☆	☆☆	☆☆	☆	☆☆
Employment	☆☆	—	☆	☆☆	☆	☆	☆☆	☆☆
Start-ups	☆	☆☆☆	☆☆	☆☆	☆	☆☆	☆☆	☆☆☆
Information and counselling	☆☆	☆☆☆	☆☆	☆☆	☆☆	☆	☆	☆☆
Financing	☆☆	☆☆	☆☆	☆☆☆	☆☆	☆	☆☆	☆
Training	☆☆	☆☆☆	☆	☆☆☆	☆☆	☆☆	☆	☆☆☆

— No instruments ☆ 1 or 2 ☆☆ 3 to 5 ☆☆☆ more than 5

Source: Research Institute for Small and Medium-sized Business

How to get the best out of your local MP

Businesses should not underestimate the ability of their local Member of Parliament to influence legislation or to take action on their behalf, writes Charles Batchelor.

Even if he or she is not a minister or a member of one of the influential standing or select committees, the MP will be able to raise questions and put points directly to ministers.

"It is worth remembering that your company is a creator of wealth and employment within a constituency and the well-being of your company is therefore of importance to your MP," a handbook* to lobbying Westminster by the London Chamber of Commerce points out.

If you have a concern to raise with your MP, the best way to make initial contact is by letter to the House of Commons (London SW1A 0AA). If you want to express your views on a particular piece of legislation, try to do so as early as possible in the parliamentary process. The best time is when the government issues a Green Paper or consultation document.

Give your MP as much information as possible. If you fear a new law would cause job losses or extra expense for your company, spell out how many jobs might go and the extent of any extra costs. If you do not want your MP to mention your company's name, say so.

If your concerns have a European dimension, you may wish to contact your MEP. He or she may be less familiar to you but you can get addresses and details of special committees from the European Parliament Information Office, 2 Queen Anne's Gate, London SW1H 9AA. (Tel 071 222 0411.)

Your MEP will be able to put down a written or oral question, drawing the attention of the European Commission or the Council of Ministers to your concerns. The booklet suggests a number of simple rules when writing to your MP:

- Identify the subject you are interested in clearly at the start of your letter.
- Describe the background to your company – the length of time it has been based in the constituency and the number of people employed.
- Keep the letter as short as possible. MPs have a heavy postbag.
- End by asking your MP's position on the matter. If possible, suggest a solution to the issue you have raised.
- Above all, adopt a friendly tone. However angry you may be about a particular issue, it is pointless blaming or insulting your MP.

The title of the booklet, Working with Westminster and Whitehall, is somewhat misleading since it does not actually look at how to lobby civil servants.

It does, however, include useful lists of the membership of select committees and the names, policy priorities and points of contact for the different government departments. Some of the information, on, for example, London MEPs is probably only of value to London-based companies but the general advice is applicable to all businesses.

**London Chamber of Commerce and Industry, 69 Cannon Street, London EC4N 5AB. Tel 071 248 4444.*

BUSINESSES FOR SALE

Cheshire Production (Engineering) Ltd.

East Manchester

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company.

Principal features include:

- General heavy engineering specialising in tunnel segments and turnkey projects.
- Turnover in excess of £2m.
- Freehold and leasehold premises of 83,000 and 4,000 sq feet respectively.
- Capacity to handle a variety of highly specialised heavy engineering machinery and cranage with a capacity to handle up to 100 tonnes.

For further information contact the Joint Administrative Receivers, Peter Terry and Alan Benzie, KPMG Peat Marwick, 7 Tib Lane, Manchester M2 6DS. Tel: 061 832 4221. Fax: 061 832 7265. Telex: 668 265 PMMMAN G.

KPMG Corporate Recovery

COMPONENTS MANUFACTURER, JOINERY BUSINESS AND RETAILER OF SHEDS

Prim Engineering (Stoke-on-Trent) Limited
Barlaston Engineering Supplies Limited
Fenton Sheds Limited

The Joint Administrative Receivers, David Wilton and Ian Carruthers, offer for sale the businesses and assets of this well established group of companies trading from Stoke-on-Trent.

Principal features of the businesses include:

- substantial freehold premises comprising 26,210 square feet of workshops and offices on a 1.65 acre site
- well maintained plant and bespoke joinery works
- loyal customer base
- excellent reputation built up over 22 years
- highly skilled labour force.

Please address all enquiries to the Joint Administrative Receiver David Wilton or his manager Bob Young at Cork Gully, 43 Temple Row, Birmingham B2 5JT. Telephone: 021-236 9966. Fax: 021-200 4040.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

MANUFACTURER AND SUPPLIER OF HIGH QUALITY LIFTING AND MECHANICAL HANDLING EQUIPMENT

Lifting Gear Products (Engineering) Limited

The Joint Administrative Receivers, D J Stokes and M J Moore, offer for sale the business and assets of this well established manufacturer and supplier of lifting and mechanical handling equipment.

Principal features of the business include:

- wide product range, including wire ropes, chain slings, chain blocks and the design, manufacture and installation of large special purpose lifting engineering products
- established customer base and reputation built upon a 36 year trading history
- one of the largest privately owned specialists in the lifting gear industry
- turnover of approximately £5m per annum
- testing facility up to 450 tonnes
- excellent and recently refurbished freehold premises at Sheffield near M1 motorway.

For further information, please write to David Stokes at Cork Gully, 1 East Parade, Sheffield S1 2ET. Telephone: 0742 730401. Fax: 0742 598202. Or contact Allison Broad at the company's premises, telephone: 0742 443456.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

PRINTING & PUBLISHING BUSINESS

Penwell Print Limited

The Joint Administrative Receivers offer for sale the business and assets of this established printing and publishing business based near Callington, Cornwall.

Principal features of the business include:

- annual turnover of £1.5 million
- 10,000 sq ft leasehold premises
- 40 employees
- well established customer base
- publisher of local guides
- modern machinery.

For further information, please contact Alistair Grove or Ian Walker of Cork Gully, Midland House, Notte Street, Plymouth, Devon PL1 2EJ. Tel: 0752 666888. Fax: 0752 604108.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

CAR DEALERSHIP

Duston Garage Limited

The Joint Administrative Receivers offer for sale the business and assets of this long established car dealership based on the outskirts of Northampton.

Principal features of the business include:

- substantial freehold premises incorporating car showroom, service/repair workshop, stores and offices
- fully equipped for M.O.T. testing
- turnover c. £1m p.a.
- current customer base in excess of 2,000 names
- skilled, experienced workforce
- separate 3 bedroomed house adjacent to premises for possible use as management accommodation.

Also available is a separately located substantial freehold site recently trading as a petrol forecourt and used car sales operation.

For further information, please contact Robin Addy or Keith Morgan at Cork Gully, Oriel House, 55 Sheep Street, Northampton NN1 2NF. Telephone: 0604 230799. Fax: 0604 238001.

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on Investment Business.

Cork Gully

ANNOUNCEMENT
OF A PUBLIC AUCTION FOR THE HIGHEST BID

Greek Exports S.A., based in Athens at 17 Panepistimiou Street and Legally represented, in its capacity as liquidator of the joint-stock company PORCEL Metallurgical, Commercial, Industrial and Maritime S.A., based in Marousai, Attica, and in accordance with article 46a of Law 1892/1990, supplemented by article 14 of law 2000/1991, and Decision No. 8291/1992 of the Athens Court of Appeals,

ANNOUNCES

A public auction for the highest bid with sealed, binding offers for the purchase, in toto, of the assets of PORCEL MCIM S.A., based in Maroussi, Attica, at 52 Aigialeias Street and engaged in the mining, processing (enrichment) and sale of feldspars (potash, sodium and mixed) and quartz. The mining is carried out in mines (over which the company has respective rights) in the Department of Drama (region of Ano Tholos, Paranesti, Drama) where the company's factory is installed and has been built in a self owned plot of 12,440 sq. metres in area. In the same area, the company has rights of ownership over plots of land of 29,690 sq. metres in area, some adjoining and some not adjoining the plot which contains the factory. The factory has an area of 1,971 sq. metres and a volume of 8,526.20 cu. metres. The company also has mineral ore exploration rights for the above ores in the departments of Drama, Xanthi and Evros.

TERMS OF THE AUCTION

1. In order for the auction to take place, all interested parties are invited to receive from the Liquidator, the Offering Memorandum which describes in more detail the assets of the Company for sale, its obligations, and the necessary procedures for its transfer, as well as the form of the Letter of Guarantee needed for the submission of a binding offer to the Athens notary public assigned to the auction, Mrs. Flora Balana-Zoulia at 14-16 Feidiou Street, 6th floor, Tel. 30-1-362.8143 and 360.0855 up to the 23rd November, 1992 at 1900 hours.
2. Bids will be unsealed before the above notary on the 24th November 1992 at 1000 hours and with the Liquidator in attendance. All those who have submitted bids within the prescribed time limits can also attend. Any bids submitted beyond the prescribed time limits will not be accepted or considered.
3. The sealed, binding offers must clearly state the price offered for the purchase, in toto, of the Company's assets and must be accompanied by a Letter of Guarantee from a bank legally operating in Greece, for the amount of fifty million drachmas(50,000,000 drs.) or its equivalent in U.S. dollars.
4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, rights for mineral ore exploration, etc. are to be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date on which the sale contract is signed, regardless of whether the Company is operating or not, and with the proper legal procedures.
5. The Liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1892/90 article 46a, para. 1 as in force), known hereafter as the Majority Creditors, shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale nor for the possible refusal of the State to approve, as required, the transfer of elements of the assets, nor for their incomplete or faulty description in the Offering Memorandum and in any correspondence. In the event of inconsistencies, entries in the Company's books, as they stand on the date of signature of the sale contract, shall prevail.
6. Prospective buyers hereinafter referred to as "Buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The Buyers are hereby reminded that, in accordance with the provisions of Law 1892/90. article 46a, para. 4 as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.
7. Bids should not contain terms which might prevaricate their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The Liquidator and the Majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.
8. In the event that the person to whom the auction is adjudicated, fails in his obligation to appear within twenty (20) days from being invited to do so, and sign the relative sale contract and fails to abide by the other obligations accruing from the present announcement, then the above-mentioned guarantee of fifty million drachmas (50,000,000 drs.) is forfeited to the Liquidator in compensation for expenses of any kind, time spent, and any actual or hypothetical loss sustained, with no obligation on the Liquidator's part to furnish any specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank. Guarantees deposited by other bidders shall be returned to them after the Liquidator's evaluation report has been approved by the Majority Creditors and the highest bidder's guarantee shall be returned to him after he has paid the sale price and the act of settlement has been drawn up and signed.
9. The highest bidder is deemed the one whose offer has been so judged by the Liquidator and approved by the Majority Creditors as being in their best interests.
10. The Liquidator shall not be liable to participate in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.
11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the Liquidator, for any cause or reason.
12. Transfer expenses of the assets for sale (taxes, stamp duty, notarial and mortgagor's fees, rights and other expenses for drawing up topographical diagrams as required by Law 651/77, etc.) are to be borne by the Buyer.
13. Those taking part in the auction will be bound to keep the Company in operation and to continue mineral ore exploration.

Interested parties should apply for further information to:

a) The head office of the Hellenic Industrial Development Bank, Directorate of Public Holdings, at 87 Syngrou Ave. 2nd floor, 117 45 Athens, Greece, Tel. 30-1-929.4395 and 929.4396 and to
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REGULATING THE MARKETS: Views from the UK and US

Enforcer rides into town

SIB chairman Andrew Large talks to **Robert Peston**

Andrew Large (left) and Richard Breeden: The SIB has been studying the SEC in its regulatory review

Mr Andrew Large is intent on proving that a rabbit can tend the City of London's lettuce. This former banker, who as chairman of the Securities and Investments Board is the top regulator of the UK investments industry, plans to establish an "enforcement culture" within the system.

He believes that "enforcement procedures are too complex"; that the monitoring and prosecuting system is "too fragmented"; and that "punishments [of City wrongdoers] have not been enough".

Mr Large has an ideal opportunity to secure improvements. Appointed SIB chairman on June 1, he was almost immediately asked by Mr Norman Lamont, the chancellor, to conduct a thorough review of the SIB's responsibilities under the 1986 Financial Services Act, the legislation underlying the regulation of investment businesses. The review was prompted by the failure of City regulators to prevent Mr Robert Maxwell from looting the pension funds of his companies.

In his first interview since he began work on the review, Mr Large said his priority was to ensure the SIB had the authority and the resources to do its job properly. This is partly a question of assessing whether the SIB needs new powers and more staff, which he said was "tremendously stretched".

He said it was equally important to assess whether responsibilities are divided sensibly between the SIB and other officially recognised bodies. These consist of the Self-Regulatory Organisations (or SROs), responsible for ensuring that financial firms are acting prudently and honestly, and the Recognised Investment Exchanges (RIEs), such as the Stock Exchange, which run financial markets.

The SIB's prime role is as a regulator of regulators, to monitor whether the SROs and RIEs are carrying out their responsibilities effectively. But it also monitors a limited number of financial firms itself, notably the big UK banks' investment businesses.

Mr Large is starting from the assumption that the Financial Services Act is likely to need amendments, rather than a complete overhaul. However, that does not mean that his proposals – which will be put to the chancellor at the end of March – will not be radical. This was made clear by Mr Large's decision that the review should start with first principles. A small team, headed by Mr Philip Thorpe, who has been seconded by the Securities and Futures Authority, an SRO, will ask consumers, investors, financial practitioners, other regulators and politicians what they expect of the SIB and the other recognised bodies.

It will then establish if there is a consensus about the aims and priorities of the SIB and the recognised bodies. Finally it will evaluate whether regulators are failing to meet legitimate public expectations and what can be done to improve their performance.

Even before the inquiry is completed, Mr Large is convinced that regulators' priority should no longer be the writing of rules but making sure that "firms obey them".

"We need enforcers with a spirit of inquiry," he said. He wants to attract high-flying young lawyers and accountants to work for the SIB and the SROs, in much the same way as the US Securities and Exchange Commission employs such professionals as supervisors and investigators. In this way, the City's cherished principle of self-regulation – regulation by practitioners for practitioners – would be eroded. However, Mr Large insisted that "it's a question of getting the balance right ... We still want some people who have industry experience."

But he is also considering a reform which would strike a stronger blow against self-regulation. Under review is the question of whether financial firms should retain their cherished right to be able to choose which SRO regulates them. The SIB's inability to force any firm to join any particular SRO is contentious at the moment because of an attempt by two regulators – Lautro for unit trust and life companies, and Fimbra for financial intermediaries – to merge and create a super-regulator for retail financial businesses, called the Personal Investment Authority.

However, the big UK banks are reluctant to join the PIA, prompting life companies to threaten a boycott. If both groups were absent, the new regulator would be virtually identical to Fimbra, making the merger irrelevant.

Mr Large said there are strong "public interest reasons" for the PIA to succeed. He wants to persuade the banks to join it. But if they refuse, he may attempt to acquire the powers to force them to do so.

The PIA problem is illustrative of a wider issue. Mr Large believes the regulatory system contains "overlaps and underlaps". He is, for example, concerned that responsibility for preventing the failure of a recognised market to operate properly is not adequately defined in law. The SIB's role in ensuring that investors do not lose money through a market malfunction is not clear, he said, though he is certain the SIB would be blamed if a market did fail.

He feels that may be a regulatory "underlap". On the other hand, the SIB's direct responsibility for regulating the investment business of banks and certain other financial concerns is an example of regulatory overlap with the SROs.

Mr Large said he had "sympathy with the argument", made by some SROs, that this overlap is unnecessary and that the SIB should withdraw from direct supervision of financial firms and concentrate on its role of regulating the regulators.

The way to end these overlaps and underlaps, according to the influential chairman of a big UK bank, is to abolish the SROs and have their functions absorbed into newly created divisions of the SIB. But Mr Large is unconvinced.

He believes that the separation of the SIB and the SROs can generate a "creative tension", with each questioning the other and thereby keeping standards high. However, he said in practice this tension has sometimes been "destructive" as SROs have complained that they were being second-guessed by the SIB. Mr Large said the solution might be a "halfway house". This would involve giving the SIB power to "prescribe the scope of the SROs" or choose their membership.

The SIB would then have to decide how many SROs there should be. Mr Large is not certain that reducing them to two – the PIA for the retail market, with a detailed prescriptive rulebook, and the other a more laissez-faire regulator for market professionals – is altogether sensible, though some City firms have argued for such a rationalisation.

A merger of the SFA and Imro, regulator of fund managers, would be needed to create the professionals' super-regulator. But Imro's members are market professionals who manage money on behalf of individuals such as pensioners of Mr Robert Maxwell's companies. So Imro's members may need tighter regulation than the SFA's. Indeed, Mr Large also believes there is probably too much regulation of market professionals, and said there is a case for simplifying the SFA's rulebook. So he is not convinced that marrying Imro and the SFA would be felicitous.

Mr Large identified a separate inadequacy of the regulatory system as its "perceived failure" to deliver sufficiently severe punishments to wrongdoers. He said the problem was partly one of public perception. But he accepted that fines levied by SROs on miscreant firms should probably be raised: "A £50,000 fine does not mean much." He is investigating whether the SROs can increase their fines without any change in the law.

He is also looking at whether the current process of prosecuting certain City offences through the criminal courts is too slow and ineffective. He said: "The American model seems better." In the US, the SEC has the power to prosecute alleged insider dealers and market manipulators – those who use unfair methods to profit from share price movements – under civil law. In civil cases the burden of proof for a successful prosecution is less than in a criminal process and the process is normally quicker.

The SEC believes it has two other clear advantages over UK regulators in such cases. It has responsibility for tracking suspected insider dealing cases and for assessing whether issues of new shares and other securities in public companies conform with agreed standards.

This means that a large amount of financial and investigative expertise is concentrated in the authority responsible for prosecuting insider dealers and other financial fraudsters. In the UK, however, the identification of possible insider dealers and the share-listing functions are carried out by the Stock Exchange. Mr Large is looking at the possible transfer of these responsibilities to the SIB but he stressed that this is a sensitive issue and no decision had been taken.

Indeed, whenever a delicate issue such as this one is broached, he becomes somewhat equivocal. In part, this is because of his preference for change to take place by consensus. But he rejected the charge that he was a City insider incapable of providing proper protection for consumers. He is uncomfortable with the phrase "self-regulation" as used to describe the UK system.

"I would be very happy if the word 'self' were to be abolished from the Financial Services Act," he said. "It does not reflect the reality. If people want to find a new word, then what about 'regulation'?"

America's power to protect

The SEC chief really runs the show, says **Tracy Corrigan**

The strength and breadth of influence of the US Securities and Exchange Commission far exceed the Securities and Investments Board's in the UK. "We have extraordinarily broad powers," said Mr Richard Breeden, the hard-hitting SEC chairman. "There is no question about who is the regulator and who is the regulatee in the American system."

The SEC, which is being closely studied in the review of the UK investments regulatory system, polices 6,000 broker-dealer firms and oversees 4,000-5,000 public offerings every year, as well as keeping an eye on the US's 3,800 mutual funds (unit trusts) holding $1,500bn of assets.

It has authority in two areas outside the brief of the SIB: it vets all listings of securities, and is the main prosecutor for fraud and market manipulation.

Its role as a prosecutor lies at the root of its effectiveness, according to Mr Breeden. "If you don't have the power to prosecute, you are missing out the key ingredient," he argued. A year ago, he fined Salomon Bros $290m (£178m) for breaching US Treasury bond auction rules.

He commands an army of lawyers, analysts and examiners that is 2,600-strong – an increase of 700 since he took office three years ago. Although the SEC cannot compete with the salaries paid by Wall Street law practices and securities firms – Mr Breeden himself earns a relatively meagre $119,000 – it has attracted ambitious lawyers and analysts who regard a spell at the SEC as a good career move.

These human resources are perceived as the regime's greatest asset, particularly in the enforcement division. "Crooks don't put up a billboard and say: 'Come get me, I'm breaking the law.' They work very hard to conceal their activities," said Mr Breeden.

He believes that there are efficiencies to be gained from integrating the inspection, evaluation and prosecution functions. If inspectors discover a trading irregularity at a securities firm, "we can be across the street in the courthouse in a single day", Mr Breeden boasted. "No other agency has to be briefed, evidence doesn't have to be boxed up, and doesn't have to be copied for someone else."

Although less dependent on self-regulation than the UK, the US system does use self-regulatory organisations, such as the National Association of Securities Dealers, which oversee the running of their own markets. But Mr Breeden is not about to let anyone forget who runs the show. "They cannot enact any rule binding on their members without our approval. Even on the question of what time the stock exchange opens and closes, we have the final say."

One important strength of the SEC, said Mr Breeden, is that it is relatively independent of market practitioners and is therefore less open to arm-twisting by the securities industry.

Predictably, market participants complain that the SEC regime is excessively stringent and places US securities firms at a competitive disadvantage. They also charge it with being too bureaucratic. There are suggestions that its resources are sometimes misused or misdirected: for example, the rechecking of inspection visits by SROs is widely viewed as unnecessary.

Mr Breeden, whose term ends in June, is also accused of being politically ambitious. He is probably closer to the White House than previous incumbents and counts President George Bush as a friend. Some market participants argue that his aggressive stance on some issues, such as capital requirements, is motivated by the desire to avoid the political embarrassment of a securities firm collapse.

But Mr Breeden insists that his focus is the investor, not political approbation. "Our prime objective is investor protection," he said. "The amount of money that can be gained from financial fraud in today's market is almost limitless. And the losses that can be imposed on the public are similarly great."

Obituary

Printed circuit pioneer

Paul Eisler, who died last week aged 85, was a prolific inventor whose major technological innovation – the printed circuit – accelerated the development of modern electronics. That he amassed neither great wealth nor fame as a consequence of his ingenuity seems to have been a product both of his times and of his somewhat naïve and remote personality.

Financial reward was rarely at the forefront of his thoughts; he thought of printed circuits primarily as his contribution to Britain's war effort. A Viennese Jew, Eisler left Austria in 1936 ahead of the rising Nazi tide and settled in England where he was to remain for the rest of his life.

His career, while busy and eventful, was also dogged by disappointment and rejection although he betrayed few signs of bitterness in his 1989 autobiography.

Eisler's genius was both theoretical and practical; not only did he see that the tangled mass of wires which characterised electrical circuits in the first half of the century could be replaced by metallic tracks bonded to an insulating layer, his experience in printing technology led him to develop a manufacturing method, foil etching, which is still in use today. His work led to miniaturisation, to the integrated circuit or silicon chip and, most important, to the low-cost mass production of electronic circuitry.

He remembers showing a radio he constructed using one of the first printed circuits to Plessey in 1936. The company rejected it on the grounds that it would replace women on the production line.

Eisler reserved his animosity for bureaucrats who got in the way of invention, harbouring special disgust for the National Research Development Corporation, founded by the Labour government in 1949 to commercialise the products of publicly funded research.

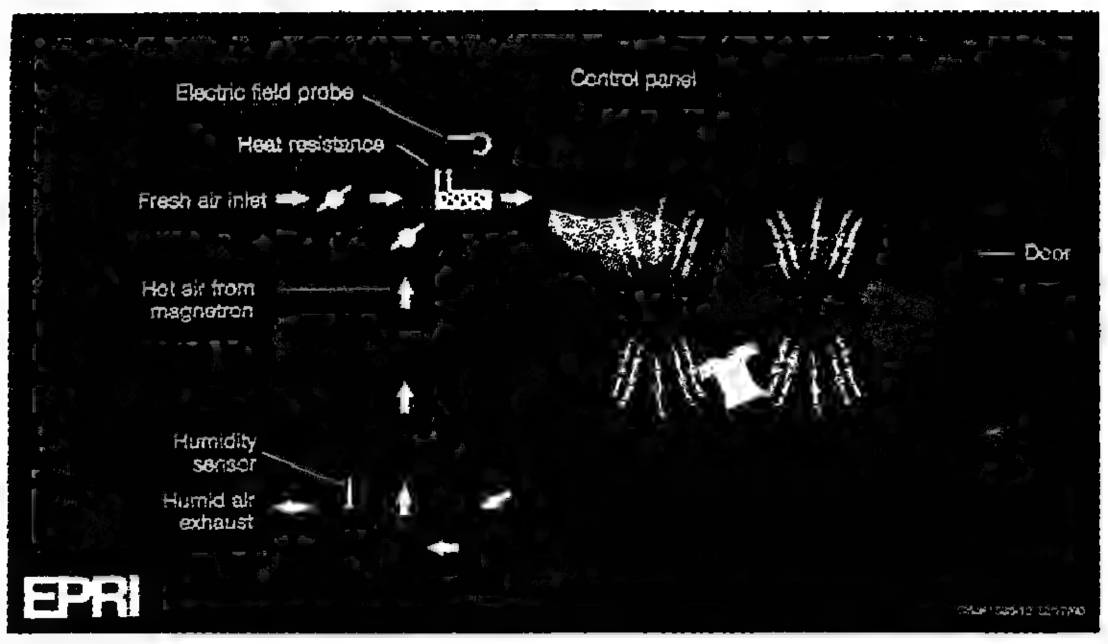
"The treatment which my inventions received from the NRDC has made me wonder again and again why this organisation has been so grossly inefficient in doing the job for which Parliament had created it," he wrote, concluding that political games sapped the energies of its officers so they could not deal sensibly with inventors and inventions.

Alan Cane

Hot under the collar

Andrew Baxter describes how the wonders of the microwave oven are moving into the laundry room

Microwave clothes-drier - prototype test unit



You only have to glance round a big supermarket to realise how microwave ovens have transformed the convenience food industry over the past decade, with whole ranges of tempting dishes created specially for heating in a few minutes.

Until now, microwaves in the home have been restricted to ovens, but that could be changing. The advent of microwave clothes-driers could spur similar changes in the drying of clothes at home and in launderettes, in dry-cleaning – and in clothes themselves.

In the past few weeks, the California-based Electric Power Research Institute (Epri) has unveiled a prototype microwave clothes-drier that promises to bring the benefits of microwave technology to the laundry room – shorter drying times, improved energy efficiency and much reduced damage to delicate fabrics.

It is early days yet, and one important techical problem remains unresolved, but John Kesselring, senior project manager at Epri, sees "exciting possibilities" when microwave driers are launched on the domestic appliance market. That could be by 1996, he says.

The availability of microwave driers, he says, could affect the clothing market in ways that increase the driers' usefulness, as has happened with microwave ovens. Clothes of delicate or woollen material that are now dry-cleaned could be specially designed and marketed as suitable for home-drying.

Long-term, this could have implications for the dry-cleaning industry, but in the shorter term the developments at Epri are being watched most closely by domestic appliance producers, which do not want to miss the boat on a potential new product in a mature market.

"We have been very pro-active in looking at all types of energy," says Fred Stave, Whirlpool's director of technology development and application. "Previously we've been very cautious about microwave driers, but technology is marching on, and we must look at the possible applications very carefully."

Epri has been investigating the potential for microwave clothes-drying since 1990, picking up on earlier work in the appliance industry. The aim from the outset was to find an entirely new approach which would eliminate some of the inherent disadvantages of conventional tumble-driers, whether powered by electricity or – as is common in the US – natural gas.

In standard driers, air is heated as hot as 350°F and blown into the drum, which tumbles the clothes in arcs. The heat is transferred from the air to the surface of the wet clothing. That evaporates the water and reduces the air temperature in the drum, which then rises again during drying from 110°F to 160°F.

Capillary action moves embedded water out to the fabric surfaces and eventually heat must be conducted into the fabrics so that water can be removed as steam. The result is that the fabrics are heated to about 160°F, damaging the molecular structure of woollens and delicate fabrics, and causing shrinkage.

The microwave drier uses the same magnetron tubes fitted in ovens to produce beams of microwaves that heat up water molecules in wet clothing, causing them to align and then reverse alignment as rapidly as 2.5bn times per second.

This heat drives off the water. The fabric stays relatively cool, because its molecular structure gives it a much lower dielectric loss coefficient – a measure of how readily the material is heated by microwaves – than that of water.

For delicate fabrics, Epri has been blowing cooling air into the microwave drier, where temperatures have not generally exceeded 110°F – appropriate for delicate fabrics. For normal loads, the shortest drying time could be achieved by combining heated air with microwaves.

Since the middle of last year, Epri has been testing an experimental unit built by two Californian companies, Thermo Energy and JO Microwave. Equipped with eight 0.85kW magnetrons, the unit can supply 6.8kW of microwave power, enough to dry a seven-pound load in about half the time required by a conventional electric drier.

Overall the savings on time and energy are impressive, but are complicated by the probability that any production machine would be a hybrid of microwave and conventional drying. The reduction in drying times could range from 25 to 60 per cent, says Kesselring, with the biggest gains in coin-operated laundry equipment where users just want to "finish and get out".

Energy efficiency could be increased by 25 per cent in residential driers, and more in commercial equipment, he says. The cost of the drier would be higher, not only because of the need for two technologies but because a microwave clothes drier would require a shield to prevent microwave leakage.

Epri is now making 10 microwave driers for field-testing, but one problem remains: as the moisture in clothes decreases through drying, the electrical charge inside the drier rises, which can cause metal objects to heat up, potentially scorching clothes or even causing a fire.

The hazard has been narrowed down to small, thin pieces of metal such as pins and bin-liner or bread-wrapper ties and does not effect zippers or large objects which take much longer to heat up.

Kesselring is confident that Epri has a solution, for which a patent is pending. He admits, however, that this will "make or break" the microwave drier's ultimate commercial appeal. "A lot of people have been looking at ways to put different types of energy into domestic appliances," Stave says. "This one is clearly the closest to being viable."

Technically Speaking

Up in arms over downsizing

By Peter Slavid

"Downsizing may have become the computer buzzword of the early 1990s, but those corporate IT users who followed the trend could find they have made an expensive mistake."

Downsizing implies the replacement of large and expensive mainframe systems with networks of inexpensive personal computers driven by servers – essentially powerful microcomputers.

Many were tempted away from the traditional mainframe by the new power of the personal computer, and often for the wrong reasons. In the next few years they may come to realise that centralised systems cost less in the long run.

By 2000 there will be a strong trend towards upsizing, both because it will be cheaper and because of the greater value that can be obtained from centrally managed data.

Any downsized organisation looking for cost-effective solutions will undoubtedly have to extract data from expensive PCs and Unix systems, and dump it on to a parallel database server where it can be managed efficiently and cheaply.

I would challenge anyone to dispute this point. It is a brave man who assumes that because a solution is best or cheapest today it will still be so in three years' time.

There are right and wrong reasons for downsizing. Restructuring your business applications because it suits your business strategy is a sensible thing to do. It will often prove to be more expensive to downsize, but that should not deter people because if it meets the business need effectively it will be worthwhile.

Unfortunately, the reality is often the other way round. People start to downsize even though it does not fit their business strategy because they believe it will be cheaper. In practice, it works out to be both more expensive and disruptive to the business – the worst possible scenario.

Recent evidence reveals that this is true today for organisations with more than 200 users. But in the longer term it will be true for all companies.

How can downsizing be more expensive? First, there is the long-term cost of supporting distributed systems. These can be difficult to calculate, and too easy to ignore. The time taken by secretaries doing systems administration or PC housekeeping is rarely counted as part of the business case.

Second, there will be the need to run existing systems alongside the new ones. Typically this is for two to three years, often longer.

Finally, there are costs imposed if you have forced a downsized solution on to an inappropriate organisation structure. The costs of splitting databases and redesigning systems are not trivial.

So after three years of redesign and restructuring – and three years of paying double cost – you end up with a redesigned system that does not fit your organisation structure.

That's when the industry announces new "open corporate systems" at a price performance that makes it cheaper to centralise. Already companies are working on "parallel" systems that will build big central systems out of many cheap processor chips.

Unfortunately, the world is still full of misguided devotees of downsizing who have sliced up their databases into illogical chunks in order to make it work in a downsized environment. They are yet to discover the consequences.

Independent studies indicate that many big IT users still see downsizing as the way forward. Five years ago 85 per cent of applications in management information systems were performed on mainframes, compared with 67 per cent today, according to the US periodical Service News. By 1995, the figure is expected to fall to 50 per cent.

Downsizing may be cheaper this year, but it is just as likely to be more expensive next year. So go back to basics – treat IT as a business issue, not a technology issue.

The author is corporate systems business manager at ICL.

The best and worst sides of a sophisticated artist

William Packer reviews the work of Bill Jacklin

Commanding the long principle axis at Marlborough Fine Art and the visitor's immediate attention is a new painting by Bill Jacklin, some 8 feet by 6.5, of an American mounted policeman on a rearing horse. It is a standard image in the long and splendid tradition of the grand equestrian portrait that, in painting, goes back through Goya and Velasquez to Titian and the high Renaissance and in sculpture, right back to the roots of Western art in ancient Greece. The noble beast rears and frets: the rider holds hard to keep control. All is contained, sprung, expressive energy – or should be.

Here we must hold hard ourselves, for this is not only a serious attempt at a serious subject, but as seriously bad in the result as it is possible for a painting to be. It is no bad thing for an artist to take on such a subject in the grand manner and, here, the idea to bring the convention up to date and take the policeman as our modern *condottiere*, is rather good. But if the ambition is admirable, the dangers are obvious. To invite the comparison with the great masters is, well, to invite the comparison.

The trouble is that Jacklin all too evidently does not know what the horse *is* – how it moves, how it is ridden, what it looks like. Certainly he has not worked to find out by any careful study and exact observation. Rather it is as though the idea itself were enough and the expressive reference all that were needed. And what is not known by the artist is, quite simply, left out. The near-fore protrudes arbitrarily from a mysterious dark-brown void in the animal's side: the hind legs are fused and lost together in a brown mist: the rider, dwarfed by his mount yet immensely long in his lower leg, sits impossibly deep in the pit of its back.

It is too easy to find specific fault, and I have no wish to dwell on the single work. But, given such manifest inadequacy in the description and realisation of what this particular work proposes, it is natural to visit the rest of the work, at Oxford as in London, with more exacting a scrutiny than might otherwise have been the case. And here an important distinction must be drawn, for it now becomes clear that Jacklin's work, in this his American phase, falls into two camps, not opposed exactly, but markedly different.

He is now nearly 50 and has lived and worked in New York since 1985. There he has found his subject-matter, not just in the obvious imagery of Manhattan which forms the generalised back-drop to his work, but in the street life of the city and, latterly, the beach life of Coney Island. In particular he has made the crowd itself his subject, seen on the one hand at a distance and often from a great height – the street parade, the demonstration, the riot, the ant-like swarm of commuters, bathers, skaters: on the other, the closer view of the constant human traffic of the sidewalk, round the cafe table or the chess-board in the open air.

Within this broad scope, either he settles upon an image of flux and movement, often generalised and simplified to a point of near-abstraction, or attempts the grandiose and monumental, the figures local and individual, the scene clearly set and characterised. And it is always with this second sort that he gets into difficulties. That rearing horse, *pace* Verocchio's Colleoni, aspires nevertheless to the condition of the monumental. The vast painting at Oxford, of the summer crowds sitting on the grass in Central Park, looks to Seurat's "Baignade" and "la Grande Jatte", so simple and statuesque in the sunshine.

But where Seurat resolves even the simplest of his figures to a convincing sculptural presence, securely placed and registered within the worked space and perspectives of the pictorial convention, Jacklin, in this mode, leaves only questions. His figures are but shadows, mere ciphers on the painted surface, and when he seeks more close a description, the drawing is crude and weak, the detail fudged, the anatomy highly improbable. In short, in working the figure in this way, singly and collectively, he cannot sustain what he sets out to achieve – and he sets out to achieve so much.

The irony is that, in his other mode, in attempting less and being so much less self-conscious in the doing, he achieves so much more. The skaters whizzing round the rink, or the bathers running into the sea, are shadows still, but more freely worked and positively abstracted. It is not so much that the expectation of them is less, but that their formal function, active elements within the broader activity of the painting and the monoprint, is so very different. With them, the unself-conscious commitment to the expressive image and gesture is all, and it is their salvation.

These two exhibitions present us, therefore, with something of a mystery, for they show us a sophisticated, prolific and dedicated artist at his best and worst together. The mystery is that he himself does not see the difference, which lies not in the expressive scope, or scale, or pictorial ambition of the work, let alone its particular content, but in something more fundamental. There, on the one hand, is the naive assumption that the self-conscious importance of the attempt is of itself the guarantee of success. On the other there is the proper modesty of the artist losing himself in the practical engagement with his work and the ideas that grow out of it. Wherever Jacklin begins to forget himself, intrigued by the abstracted movement of a mass of people, or in the close drawing of a girl's head, the work is transformed. The Coney Island monoprints, free, adventurous and unself-conscious, are as good as anything he has done.

Bill Jacklin: Urban Portraits; Coney Island Series 1992, Marlborough Fine Art, 6 Albemarle Street W1, until November 28. Urban Portraits 1986-1992, Museum of Modern Art, 30 Pembroke Street, Oxford, until January 10.

'The Boardwalk', 1992, one of the Coney Island paintings at the Marlborough gallery by Bill Jacklin

Irek Mukhamedov and Vivianna Durante as Rudolf and Mary

Ballet/Clement Crisp

Two 'Mayerling's

The tragic circumstances surrounding the revival of *Mayerling* at Covent Garden inevitably make us more conscious of this ballet's merits. In 1978, freed from time-consuming duties as Director of the Royal Ballet, Kenneth MacMillan celebrated his release with a work of larger scale and deeper concerns than ever before. Seven years earlier, the full-length *Anastasia* looked at the collapse of the Romanov dynasty through the eyes of the young Grand Duchess, and focussed upon the matter of identity. In *Mayerling* we are shown a corruption of the Archduke Rudolf's identity that helped destroy the Hapsburg empire. And in doing this MacMillan brought off an astonishing feat, by surrounding his central characterisation – the most densely wrought and detailed male role created in this century's dance – with a series of female portraits no less psychologically apt.

For MacMillan, Rudolf's womanising is a key to his tragedy, sprung from his tormented relationship with his mother, exemplified by his brutality to his wife, and illuminated by his ambiguous relationship with Larisch, a mistress/procuress who is the only woman to comprehend his suffering. That she is the agent to bring Mary Vetsera to him is the final, fatal touch to their liaison. The fantasies central to Rudolf's psyche – love in death; sado-masochistic passion – find their terrible reality at Mayerling. Yet detailed as these female characters seem, they never over-balance the ballet's central concern with Rudolf. We see how complex was the social and emotional fabric of the tragedy, and how superbly MacMillan has given its theatrical essence.

In the Royal Ballet performances this season, as in the past, we also see the grand sensitivity of the troupe to the roles he gave them. Most of the artists are making debuts, but the style and the power of playing by the entire troupe is magnificent. In Thursday's revival, Irek Mukhamedov was a Rudolf of entire truth. He understands the central anguish of the character, and he has mastered the physical outlines and the searing movement that must tell of that anguish. The reading was dark, tight in focus, everywhere convincing, and some slight embellishments of steps are the choreographer's tribute to Mukhamedov's technique. From Viviana Durante an excellently judged Mary, conveying the sensuality just below the surface of social manners, and from Lesley Collier a perfect Larisch – worldly, watchful, and suddenly and touchingly gripped by her passion for Rudolf. Jane Burn, a young dancer new to us, was Stephanie, Rudolf's hapless bride. Her reading was delicate, urgently stated, if understandably careful as yet, but Sir Kenneth admired her abilities and she will grow with further performance.

On Saturday afternoon, another new cast was headed by Michael Nunn's Rudolf. Nunn – fine in *The Judas Tree* as the innocent young man – gave a performance which combined physical elegance (beautiful line; lucid gesture) with an ideal sensitivity. He played the crucial "closet scene" with the Empress Elizabeth superbly: kneeling, with her hands pressed to his head; he said everything about the Rudolf who would behave with such frenzy as he goes to his bride. A nervous impetuosity informs this reading – rightly so – and it augurs brave things for the future.

In Gillian Revie, Nunn found a sensually vivid Mary: the dance was luscious, emotion exactly judged between sexual opportunism and fantasy. There was also a notably good Larisch from Genesia Rosato, and a completely understood Stephanie from Natalie McCann – showing us every nuance of incomprehension, distaste, and more than a hint of stuffiness. Company performance was excellent: I admired Matthew Hart's buoyant, musical account of Bratfisch, and Anthony Bourne's sensitivity in the same role; and also the bravura view of Mitzi Caspar from both Darcey Bussell and Leanne Benjamin. In *Mayerling* (as in so much of the MacMillan repertory) the Royal Ballet is seen as an ensemble of expressive dancers without peer. It is a message worth proclaiming.

Mayerling continues in repertory at Covent Garden.

Jazz/Garry Booth

Best by Miles/Abdullah Ibrahim

Miles Davis is now a trademark owned by the estate of Miles Davis. Since the trumpet player's death a year ago the tributes have poured forth. This one, touring for the last five months, faithfully revisits one of his most synergic small groups.

The 1963 quintet of Herbie Hancock (piano), Ron Carter (bass), Tony Williams (drums) and Wayne Shorter (saxes) combined the liberated talents of young men heading for freer ground with an older leader distilling the essence of ballads and standards. Even then Davis said he knew they were on to something different: "Tony was the fire, the creative spark; Wayne was the idea person, the conceptualiser... and Ron and Herbie were the anchors. I was just the leader who put us all together."

Last week at the Royal Albert Hall, with Dave Holland standing in for Ron Carter, they brought it all back – from buoyant takes of "Footprints" and "So What?" via the poignant melancholy of "Kind of Blue" to a dismembered version of "Straight, No Chaser". The old sound came together around Tony Williams' focus of thick rhythm and Hancock's anchoring chords, Shorter stepping up to exchange flurries with young Wallace Roney, Davis's shadow. The re-united quintet of the 1970s employed Freddie Hubbard to handle Davis's parts.

Curiously though, the band is less about Roney or Davis than the interaction of the others in this famous setting. Showers of silvery chords from Hancock were tied to the rolling thunder of Williams' complex time work. Britisher Dave Holland swung easily into Carter's shoes, resonant solos emerging from strict accompaniment.

★

Some song and soul temporarily dispersed the economic gloom of Canary Wharf over the weekend in the shape of the sixth Docklands Jazz Festival. The Cabot Hall's stage with a shiny expense of illuminated office glass for a backdrop, is a curious setting for the rural tones of South African pianist Abdullah Ibrahim. But Ibrahim somehow fitted. Buttoned up head to toe in black, he walked across the cityscape to the grand carrying an attache case in one hand and a burning joss stick in the other.

In the first of two extended pieces, Ibrahim set a wistful and sombre tone with a lyric which invoked images of Namibia and later summoned the memory of John Coltrane. But the half spoken words detracted from the message of otherwise evocative projection and put me in mind of a more worldly Peter Skellern.

It didn't last though and Ibrahim was soon painting a bigger canvas. African tinged melodies rolled out of moody bass lines and were dismantled for more Western ideas and a final return to the Namibia refrain. As his joss stick burnt low, melancholy voices gave way to a more optimistic sound and a stirring hymnal close.

Sponsored by London Docklands Development Corp, London Arts Board, British Gas North Thames, Britannia Hotels, Olympia & York and Yamaha.

Opera/Max Loppert

Blood Wedding

Much effort, practically purposeful and precise, has gone into the premiere production of *Blood Wedding*, a Lorca opera by Nicola LeFanu and her librettist Deborah Levy. It was commissioned by the Women's Playhouse Trust, whose director, Jules Wright, is also the opera's producer. A good deal of determined money-gathering preceded the event – one admires the canny sense of priorities, all the more since it has enabled the opera to be staged with a lavishness unthinkable in most similar cases.

The choice of theatre for the two-week run is also imaginative: the Jacob Street Studios, adjacent to to Tower Bridge, and normally a film studio whose vast arena has been transformed into an opera theatre. Fotini Dimou and the fashion designer Nicole Farhi are responsible for sets and costumes of, again, extraordinary sophistication for a new opera – at times Lorca's village appears to have been taken over by fashion-freaks from South Moulton Street, but the glam effect is certainly a contrast to the familiar fringe scratch-and-scrabble. A good small orchestra is conducted by Anne Manson; the capable cast, though light on voices of pleasing tone (apart from Quentin Hayes's rich-grained baritone as Leonardo), is led by Lynne Davies, Annemarie Sand, Cynthia Buchan and the countertenor Nicholas Clapton.

The work itself has been offered a better-than-usual chance of arguing its merits. So if those merits fails to come across, if *Blood Wedding* establishes itself instead – as it did to me – as musically bloodless and utterly devoid of genuine dramatic imagination, it seems fair not to lay blame on the executants for this depressing state of affairs.

The issues that *post hoc* one wants to raise are rather different ones: who on earth thought *Blood Wedding* – a play already so complete, and so "musical", in its language and imagery – a good choice for operatic adaptation in the first place? (I don't know András Szöllösy's Lorca opera, a big success at its 1964 Budapest premiere.) Did anyone test *Levy's* libretto to see whether it could function as simple, easily explicable narrative? (Without advance knowledge of the play I don't believe the audience can have the faintest notion of the pre-curtain-rise blood-letting or the actual method and moment of Leonardo's death.)

Did anyone warn LeFanu that the length of her two acts, and in particular the agonisingly slow and unvaried pace of her second, would risk killing any build-up of momentum? (The recourse to endless arty refrains and repeated catchphrases gravely increases the risk.) Did anyone consider that some of the "effective" devices of the wedding scene, in particular the alternation of pit sounds and those emitted by a wind-up gramophone, might lose their savour when drawn out at such length? Did anyone suggest to the producer that blank faces and demeanour are no help to dramatic involvement, and that word-audibility in opera is not something to take for granted?

The pity is that there is a decent level of musicianly craftsmanship on which it reposes (identifying instrumental lines plausibly assorted to character and situation even if often modishly dated and secondhand, vocal ranges and timbres knowledgeably deployed) – yet this accrues no theatrical energy, because the craftsmanship itself seems so unrelated to the germination of an original theatrical vision.

The musical language is the giveaway: melodramatic gesturing delivered in an all-purpose 1960s music-theatre bang-crash, love scenes of synthetic lyrical outpouring, and nothing in between to create any kind of fusion, cohesion or dramatic framework for the events heard and seen. One wishes all new operas well; one longs for them to succeed; but nothing is gained for the medium by soft-soaping one's conviction that, for all its glossy trappings, this *Blood Wedding* is anything other than a hopeless non-starter.

Jacob Street Studios, Mill Street, London SE1; performances until November 7

INTERNATIONAL ARTS GUIDE

AMSTERDAM

DANCE

Tonight at Muziektheater: last in current run of Dutch National Ballet performances of Peter Wright's production of Sleeping Beauty. Thurs, Fri, Sun: Nederlands Dans Theater in choreographies by Kylian and Forsythe (6255 455)

OPERA

Nikolaus Harnoncourt conducts a revival of Jürgen Flimm's production of Cosı fan tutte at Muziektheater, opening tomorrow (also Nov 7, 9, 12, 15, 18, 20, 23, 26, 29) (6255 455)

CONCERTS

Tomorrow and Thurs at Beurs van Berlage, Hartmut Haenchen conducts Netherlands Chamber Orchestra in works by K.A. Hartmann and Frank Martin (6270 466). Sat at the Concertgebouw: in the afternoon, Frans Brüggen conducts Orchestra of the 18th Century and Gulbenkian Choir in Beethoven's Ninth Symphony; in the evening, Ken-Ichiro Kobayashi conducts Netherlands Philharmonic Orchestra in works by Smetana, Tchaikovsky and Musorgsky (repeated on Mon and Tues). Nov 11 and 19: Harnoncourt conducts Royal Concertgebouw. Nov 14: Oslo Philharmonic (6718 345)

BRUSSELS

Palais des Beaux Arts Fri evening and Sun afternoon: Belgian National Orchestra in a Beethoven programme, with piano soloist Jeremy Menuhin. Next Mon: Tedd Joselson piano recital. Next Tues: Jean-Pierre Rampal. Nov 16: St Petersburg Philharmonic (507 8200)

Monnaie Antonio Pappano conducts Guy Joosten's new production of Un ballo in maschera tomorrow and Sat, with three further performances next week (219 6341). Next week at Theatre National: Büchner's play Leonce und Lena (217 0303)

CHICAGO

This week's Lyric Opera performances are William Bolcom's McTeague (tonight and Fri, also next Mon), and The Bartered Bride (tomorrow and Sat). Nov 14: first night of Pelléas et Mélisande (332 2244). Nov 12 at Orchestra Hall: Georg Solti returns for two weeks of concerts with Chicago Symphony Orchestra (435 6666)

MUNICH

OPERA/BALLET

At Prinzregententheater, Bavarian State Ballet presents choreographies by Hans van Manen and Ohad Naharin, daily except Sun till next Mon. Nov 15: Margaret Price song recital. Nov 17: Teresa Berganza. Nov 24: Renato Bruson (221316). Gärtnerplatztheater repertory includes Khovanshchina, Tiefland and Hansel and Gretel (201 6767)

CONCERTS

● André Watts gives a piano recital tonight at Herkulessaal der Residenz. Sun: Mikhail Pletnev. Next Tues: Leo Nucci song recital (299901)

● Tomorrow, Thurs, Fri and Sun morning at Gasteig: Sergiu Celibidache conducts Munich Philharmonic Orchestra in works by Sibelius and Shostakovich. Nov 14, 16, 17: Jessye Norman. Nov 15: J.E. Gardiner conducts Schumann (48098 614)

THEATRE

Tonight's performance at Residenztheater is Ariel Dorfman's Death and the Maiden. The repertory also includes Peter Flannery's Singer and Ibsen's Ghosts (225754). The Kammerspiele has Shakespeare's Much Ado About Nothing, Ibsen's When We Dead Awaken and a Beckett evening (2372 1328)

NEW YORK

JAZZ/CABARET

● Diane Schuur, a pianist and singer equally at home in jazz, blues and pop, is at the Blue Note daily till Sun. Music from 21.00 (131 West 3rd St near Sixth Ave, 475 8592)

● Andrea Marcovicci, a skilled lyrical vocalist, is at the Oak Room of the Algonquin Hotel. Music from 21.30 (59 West 44th St, 840 6800)

● Bobby Short, known for his witty delivery of Cole Porter and other songs, is back at Carlyle Hotel. Music from 20.45 (Madison Ave at 76th St, 744 1600)

● Ann Blyth and Bill Hayes have begun a month-long cabaret slot at Rainbow and Stars. Music from 21.00 (30 Rockefeller Plaza, 632 5000)

PARIS

DANCE

Alvin Ailey American Dance Theater can be seen at Palais Garnier daily till Sun. Nov 17-21: Merce Cunningham Dance Company (4017 3535). A new Karine Saporta choreography can be seen at Théâtre de la Ville, daily till Sat (4274 2277). Ballet Theatre of St Petersburg, directed by Boris Eifman, is at Opéra Comique tomorrow till Sun (4286 8883). Spanish contemporary dance company IO&IO Danza is at Centre Pompidou Thurs till Sun (4274 4219). Nov 13 at Bastille: Opéra Ballet revives the Bourmeister staging of Swan Lake (4001 1616)

OPERA

Elektra can be seen at the Bastille on Fri and next Tues. Nov 27: Gounod's Faust (4001 1616). Massenet's Esclarmonde opens at the Opéra Comique on Nov 18 (4286 8883)

CONCERTS

Udo Reinemann, accompanied by Rudolph Jansen, sings Winterreise tonight at 19.00 at Châtelet Auditorium (4028 2840). Members of the Opéra Orchestra play quintets by Schubert and Weber tomorrow at 20.00 in Bastille Amphitheatre (4001 1616). Gilbert Amy conducts Orchestre de Paris in a Messiaen programme on Thurs at Eglise de la Trinité (4927 0662). Charles Dutoit conducts Orchestre National de France in Berlioz's Roméo et Juliette on Fri at Salle Pleyel (4230 2308). Sat in Théâtre de la Ville: Natalia Gutman plays solo cello music by Bach, Hindemith and Britten (4274 2277)

JAZZ/CABARET

Jazz Club Lionel Hampton This week: Marva Wright and the BMWs. Next week: Kenny Garrett Group. Nov 16-21: Bobby Blue Bland. Nov 23-Dec 5: Johnny Copeland. Music from 22.00 (Hôtel Meridien Paris Etoile, 81 Boulevard Gouvion St Cyr, 4068 3042)

WASHINGTON

MUSIC

● Valery Gergiev conducts Kirov Opera Orchestra tomorrow in Kennedy Center Concert Hall in a programme including Rakhmaninov's Paganini Variations (Vladimir Feltsman) and Second Symphony. Thurs, Fri, Sat and next Tues: Michael Morgan conducts National Symphony Orchestra in works by Haydn, Gershwin and Schumann (467 4600)

● Barns of Wolf Trap has Cuban jazz trumpeter Arturo Sandoval on Thurs, traditional Celtic music from Scotland on Fri and Melos Sinfonia of Washington with clarinettist Gervase de Peyer on Sat (703-218 6500)

● Washington Opera opens new season on Sat at Kennedy Center Opera House with Otello, starring Ermanno Mauro (eight performances till Nov 28). Nov 14: revival of Rimsky-Korsakov's Tsar's Bride (467 4600)

THEATRE

● Boesman and Lena: Athol Fugard's early, intimate, small-scale piece on vast themes. Till Nov 15 (American Showcase Theater 703-548 9044)

● The Way of the World: William Congreve's comedy of love and marriage. Till Nov 22 (Arena Stage 488 3300)

● Billy Nobody: Stanley Rutherford's play is an absurdist fantasy about an agoraphobic man and a free-spirited woman. Till Nov 22 (Woolly Mammoth 393 3939)

ZURICH

OPERA

Tonight's performance at the Opernhaus is Die Zauberflöte. Tomorrow and Fri: Lucia di Lammermoor. Thurs: Nutcracker. Sat: first night of Giordano's Fedora with Baltsa and Carreras (also Nov 11, 14, 17, 22). Sun: Der Rosenkavalier (262 0909)

CONCERTS

Tonight at Spirgarten, Zurich Altstetten: Zurich Chamber Orchestra plays Bach and Vivaldi (252 1737). Tomorrow in Tonhalle: Tonhalle Orchestra in works by Grieg, Tamberg and Sibelius, with trumpet soloist Hakan Hardenberger. Nov 17, 18, 19, 20: Viktoria Mullova (206 3434)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0700-0710, 1230-1240, 2230-2240 FT Business Daily
0710-0730, 1240-1300 (Mon, Thurs) FT Business Weekly – global business report with James Bellini
0710-0730, 1240-1300 (Wed) FT Media Europe
0710-0730, 1240-1300 (Fri) FT Eastern Europe Report
2240-2245 FT Report

Sky News
2030-2100, 2230-2300 FT Business Weekly

SATURDAY

CNN
0900-0930, 1900-1930 World Business This Week – a joint FT/CNN production

Super Channel
0630-0900 FT Business Weekly

Sky News
1130-1200, 1730-1800 FT Media Europe

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

Super Channel
1900-1930 FT Business Weekly

Sky News
0130-0200, 0530-0600 FT Media Europe
1330-1400, 2030-2100 FT Business Weekly

FINANCIAL TIMES
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Tuesday November 3 1992

The devil they know

IT IS make-up-your-mind time for the American people. They are finding it difficult. A small minority will avoid the issue by plumping for Mr Ross Perot, who has no chance of winning. For most voters, however, the hard choice lies between President George Bush, the devil they know, and the still relatively unknown Governor Bill Clinton. Four more years of the former would differ from the past four years only if Mr Bush achieves effectiveness in domestic affairs. The outstanding characteristic of Mr Clinton is that no one can be certain of how he would behave in the White House.

The principal distinguishing feature of a Clinton presidency is that it would be activist. The notion that government in general and the US federal government in particular should get itself involved in the revitalisation of the US has been predominant in the challenger's campaign. This is a promise – some might say a threat – that Mr Clinton would be well-placed to make good. If he becomes president he will be supported by a Democratic Congress. He will be able to get bills through. There would be an end to the "gridlock" that has so stymied the efforts of the Republican President Bush. This has made it difficult for Mr Bush to get a fiscally prudent budget agreed, but the disadvantage is not all one way. The president is by inclination a minimalist; he wishes to reduce the role of the federal government. He has vetoed damaging interventionist bills originating in Congress. The danger is that a Clinton administration would do too much, and veto too little.

Budget deficit

Neither contender has a convincing programme for reducing the budget deficit. President Bush has once again taken the pledge against increased taxation. To renege twice would be careless. His proposals to cap social spending, such as on healthcare, are unconvincing. Governor Clinton's health reforms and reconstruction plans for the city centres can only be expensive. He would increase taxes on higher incomes, but that alone would be insufficient to reduce the overall deficit. Yet his underlying message is not that of a "tax-and-spend liberal". His proposed welfare reforms and his attack on the health industry's earnings sound tough. He has exercised tight control of the Arkansas administration.

There is a clear choice on the environment. President Bush has led his government in a crusade against global green policies, as shown by the US stance at the Rio conference. Mr Clinton speaks of a more positive approach, and the enthusiasm of his running-mate, Senator Al Gore, is well-known. It may be assumed that under a Clinton presidency the US would become a positively inclined leader of international efforts to reduce future global warming. As to domestic pollution, US voters have to decide whether to vote for or against more extensive environmental regulation.

Trade and security

On matters of trade and security the differences are finely drawn, but not insignificant. President Bush rightly promoted the North American Free Trade Area and has tried to salvage the Uruguay Round. Some of Mr Clinton's advisers have protectionist instincts; the Democratic challenger has prevaricated over Nafta. The spirit of aggressive mercantilism stalks the Democratic party. It would be one of Mr Clinton's most important, most difficult and most unpopular battles to keep it at bay.

The populist side of Governor Clinton also proposes to increase taxation of foreign-owned companies, although it is difficult to see how this squares with his experience of encouraging inward investment in Arkansas. Foreigners do not vote, except with their feet.

In foreign affairs, there is usually a strong line of continuity in Washington but, compared with the president, Mr Clinton is pro-Israeli, overtly tougher on human rights in China, more supportive of Russian reform, and likely to cut US forces in western Europe more sharply, and sooner.

From the outside world's point of view neither candidate seems like a potential Roosevelt, Truman or Eisenhower. The choice is between two professional politicians, neither with a wholly coherent programme. Clinton offers vigour, Bush continuity. It may not be an exciting choice, but nor is it a dangerous one.

Around the UK houses

IF AN ENGLISHMAN'S home is his castle, then an ever increasing number of British citizens have found these homes are built on sandy foundations. The downward spiral in house prices helps explain why confidence remains depressed and economic recovery elusive. Yet the government must not bow to the clamour from mortgage lenders and the construction industry by adopting one of the schemes intended to bail out indebted consumers. Government action should be more selective.

The building societies and banks have rarely been slow to offer advice. In the mid- and late 1980s they advised many young first-time buyers to take advantage of the government's misguided tax breaks to buy houses with hefty mortgages. In so doing they helped raise the proportion of owner-occupying households to high levels by international standards, while pushing house prices and consumer debts to high levels by historical standards.

The housing bubble has since burst. Average house prices have fallen by 27 per cent in real terms since July 1989 and by an unprecedented 12 per cent in nominal terms. A million or more homeowners have found themselves owing more in mortgage debt than the depleted value of their homes; almost 200,000 homes have been repossessed; the building societies have quadrupled their bad debt provisions over the past four years; and housing market transactions have dried up.

Clear interest

The building societies and banks are now offering yet more advice. Abolish stamp duty on housing market transaction and raise mortgage tax relief either for first-time buyers or all mortgage holders, cry some; offer a tax credit of up to £10,000 to people selling their homes to cover any loss of value, say others. Their interest is clear: while, in the early stages of the property collapse, the losses were borne by the insurance industry, prices have now fallen so far that this cover for their mistakes has run out.

The government should be wary of these schemes. They are invariably designed to ease the pressure on indebted consumers by preventing house prices from falling further. The aim is to minimise negative equity and keep bad debts off the banks and building society books. Yet the UK does not need a recovery now which is bought at the price of economic distortion in the future. The rise in UK home ownership over the past decade represents just such a distortion. It resulted in a less mobile and more debt-ridden society. The thrust of UK housing policy in recent years has rightly been to reduce the tax incentives for house purchase, while increasing the incentives for the rental sector to expand.

Sensible step

The government is right to search for ways to revive housing market activity in order to encourage mobility. Its recent decision to increase the amount of unsecured borrowing that borrowers with negative equity can take on was a sensible step. It should also try to remove the remaining obstacles to sales of repossessed homes by banks and building societies to housing associations for rental purposes.

Yet first-time buyers will only return to the market in quantities when house prices are seen to be really cheap. That may well require further declines. Relative to average earnings, house prices remain quite high by historical standards. But a further fall in house prices risks deepening the fears of indebted homeowners, while raising the burden of bad debts on balance sheets.

The government can ease the burden of servicing those debts through a further reduction in interest rates. If the balance sheet problems of the lenders remain a serious constraint on new business lending, then the government may, as a last resort, need to investigate ways in which their balance sheets can be cleansed of bad debts.

The government should not bail out indebted consumers, either via inflation or tax hand-outs. Schemes which offer more tax relief to indebted homeowners will only increase the incentive to invest in housing while encouraging the myth that a housing investment is a one-way bet. A balanced recovery would enable indebted consumers to repay their debts the hard way.

Environment policy is facing funding constraints, says **Bronwen Maddox**

High cost of a cleaner Europe

Europe's environment policy, one of Brussels's most popular achievements, is coming under fire from many directions. Britain's water companies have criticised stringent and expensive directives on the standard of water; several governments complain that the Commission is failing to enforce the same standards throughout the Community; farmers in south-west France are furious about a Brussels threat to ban even the shooting of crows.

The criticisms come against a background of national unease about Brussels's influence on Europe's day-to-day life. They threaten to undermine the EC's ability to tackle environmental problems and, by creating unequal environmental costs, to undermine the workings of the single market.

The present difficulties follow a period of unprecedented environmental regulation. In the past two decades the Commission's environmental directorate, known as DG-11, has issued some 200 directives on everything from filtering factory smoke and protecting wild birds to muffling lawnmowers.

The case for a strong European environmental policy has won support from both the public and governments. In areas such as water quality, people have not trusted their governments to set adequate standards. In other areas, such as acid rain, governments have turned to Brussels to bring each other into line. "It is a bit like disarmament inspections – where countries have little confidence in each other's role, the Commission has a legitimate role," says Mr Ken Collins, member of the European Parliament and chairman of its environment committee.

But while the need for a European environmental policy is broadly accepted, time is running out if Brussels wants to be taken seriously. The Commission and the EC member countries are jeopardising the most valuable parts of their huge legislative effort by over-enthusiasm, and by their failure to enforce the rules, or even to discover that they are being broken. The charge against EC policy by governments, industry and some rival Brussels directorates – is that it has been naive and over-ambitious, backing many rules that should not have been passed, which many EC members now cannot afford to meet.

Criticism of Brussels's record has increased as part of the debate about subsidiarity – the extent to which decisions should be taken at a local level rather than by the EC. Moreover, the full costs of meeting some of the directives are only just becoming clear, and have stimulated complaints. Governments, faced with footing large clean-up bills during economic recession, have noticed that some of their neighbours have not complied with the rules, and are asking: "Why should we?"

Several charges against EC policy are well-founded – the 1980 drinking water standards directive could head the list. Though they have performed a service by ruling that lead, pesticides, nitrates and bacteria are undesirable in drinking water, they insist that every trace of most of these elements is removed, even though health risks from tiny concentrations are unproven. The rules have been coupled with others which improve water colour but do not affect its safety. Water companies have protested that, while the cost of "the last few steps towards perfection" is huge, the benefits are far from clear.

Paying for less pollution

	Environmental expenditure* Ecu bn	Environmental expenditure as % of GDP	Success rate of transposing EC directives to national laws by Dec 91
Belgium	n.a.	n.a.	81%
Luxembourg	n.a.	n.a.	86%
Denmark	1.0	[illegible]	96%
Germany	16.5	1.6	92%
Greece	n.a.	n.a.	76%
Spain	1.9	0.6	93%
France	8.3	1.0	89%
Ireland	0.2	[illegible]	84%
Italy	[illegible]	0.6	59%
Netherlands	2.7	1.4	85%
Portugal	0.3	0.5	94%
UK	8.7	1.2	86%
Total	*45.9	1.2	86%

* Excludes nuclear industry, water production and household waste. ‡ Excludes Belgium, Luxembourg and Greece
Sources: The State of the Environment in the European Community, EC Commission, March 1992

Mr Karel van Miert, EC environmental commissioner, acknowledges that environmental policy has not been determined by scrutiny of costs and benefits. "We have certainly saved lives and prevented sickness but I am not tempted to try and guess how much."

Mr Grant Lawrence, an adviser to Mr van Miert, argues too that not all environmental issues lend themselves to cost-benefit analysis. "It is very hard to calculate the benefit side of the equation. One can point to tourism revenue and to reduced healthcare costs but in the end you can't put a price on a clean beach."

The result of the EC's hectic activity is a hefty bill for member countries, much of it still to be paid. According to the Commission's latest figures, annual environmental spending, apart from on the nuclear power industry and water, has grown to about Ecu45bn (£35bn). The Commission has no firm estimates of the cost of the water directives, but they could raise considerably the total bill, judging by the UK water companies' £45bn investment programme, nearly half of it needed to meet EC rules.

Some Mediterranean countries are saying, in effect: "We would comply but we can't afford to." Mr van Miert acknowledges that "it would be irresponsible not to accept that there are difficulties with financing".

Although he concedes that "perhaps we have been over-ambitious", he points out that ultimate responsibility for meeting the cost of the directives lies with national governments, and that all but three were passed unanimously by the 12 EC member countries.

The high cost of some early directives can partly be attributed to the enthusiasm and political ambition of national environment ministers – there are few votes in negotiating looser standards. In part, too, it follows from the optimism of the poorer EC countries that the richer ones would help them foot the bill. In the case of the 1975 bathing water directive, according to Mr Lawrence, "there was a lack of attention to costs because countries had 10 years to comply".

Lack of money is one reason why present compliance is so patchy. The highest standards are usually found in Denmark, the Netherlands and Germany, while the bottom band includes poorer countries such as Greece, Spain, Portugal and sometimes Italy.

But the Commission's biggest handicap in enforcing its rules is ignorance. Although environmentalists are fond of accusing countries of being "the dirty man of Europe", there are no figures to substantiate the accusation.

The Commission claims that countries have "transposed" 85 per cent of its directives into national law, although it says: "The delays in Italy (transposition of only 59 per cent) and Greece (76 per cent) continue to give cause for concern." But it has no comprehensive figures on whether countries then enforce the laws. It believes that the two laws which are infringed most frequently are the requirement to investigate the environmental impact of building projects and to designate special protection areas for wildlife.

The Commission has at some point started legal action against all EC member countries for failure to curb water pollution. In the past five years 67 cases – many of them concerning water standards – have been referred to the European Court of Justice. In all but a few cases the Court has found in the Commission's favour. But such action can only follow complaints from the public, and it tends to reflect public awareness rather than the number of infringements.

There is no easy solution to the problem of compliance, but repealing directives and leaving environmental standards to national discretion is unlikely to be the answer. In response to the mounting criticism from EC countries, Mr Jacques Delors, the Commission president, suggested ripping up nearly two dozen EC directives in the name of subsidiarity, including those on bathing and drinking water.

Since then, Mr Delors appears to have backtracked on this view and Mr van Miert, who is adamant that standards should not be lowered, argues that "it would be politically impossible". He says: "The member states that complied a long time ago such as the Dutch and the Danes would object."

Instead, the answer to enforcing EC standards almost certainly means bringing the question of costs into the open. Northern European countries will have to decide whether to accept the burden of helping southern ones meet the rules, and if not, to force discussion on which directives should have priority.

None of these debates can start without better information on compliance. Mr van Miert says: "Most countries simply won't buy the idea of green policemen" – a UK proposal for a European inspectorate which would send its own officials to monitor pollution. But EC members have reached a broad consensus for a European Environment Agency which would have the right to demand information from national regulatory authorities.

However, the creation of the agency has been delayed by a dispute about its location, itself part of a wider tussle over the future location of EC organisations.

Despite the problems of cost and enforcement the outlook for the EC's environmental policy is not uniformly grim. Some change is already under way, with a more realistic breed of bureaucrat replacing the environmental missionaries. This trend is exemplified by the succession of Mr van Miert in July to the colourful Mr Carlo Ripa di Meana, described by one official as an "irritant" to Mr Delors.

The directorate has also begun speaking the language of economics and of the other Brussels directorates – adopting "cost-benefit analysis" as a new buzzword. It is looking at financial instruments such as taxes rather than regulation as a way of achieving policy objectives.

Mr Ranieri di Carpegna, director of financial instruments and international affairs at DG-11 and one of the new breed of realists, says: "The advantage of a tax is that the costs are transparent, although that makes it politically unpopular. There is also no problem with enforcing it. The regulatory approach is costly, too, but no one is aware of that at the time."

Mr di Carpegna is one of the architects of EC proposals for taxes on energy, carbon emissions and on vehicles to help reduce the risk of global warming, arguably more important than some of the issues championed in the past. The costs are undeniably great: in its November 1991 report DG-11 estimated that the proposed energy tax would cut 0.25 per cent off EC real GDP growth in the second and third years after introduction, and 0.07 per cent over the first 13 years. But realism at this stage increases the likelihood that if countries adopt a tax they will adhere to their commitment.

Such commitments and the fact that EC countries made environmental policies an important part of both the Single European Act and the Maastricht treaty show that they take it seriously. The next few years will show whether they take it seriously enough to enforce it and pay for it.

Joe Rogaly

Clues from Clinton

The leader of Britain's Labour party, Mr John Smith, would do well to study the presidential campaign conducted by Governor Bill Clinton, rather than play silly buffers over the Maastricht vote tomorrow night. Even if there is an upset today and President Bush wins a second term, there is much that Labour can learn from the Democrats.

It will be objected that the two countries are so different that there is no great value in comparative studies. Anyhow, it might be said, let Mr Clinton win first, and then ask how he did it – if he does. The first lesson for Labour is the opposite. Mr Smith will be haunted if Mr Clinton loses. If a failure to topple the Tories in mid-recession in April is followed by a failure to dislodge Mr Bush at a time of high unemployment in November then parties of the democratic left will have to ask themselves whether *any* formula can bring them victory.

Such questioning would be less painful on the other side of the Atlantic than over here. The presidency is merely the most prominent of the many political posts open to the Democrats. They tend to win more than their fair share of the rest, including both houses of Congress, a majority of state governorships, places in state assemblies, and city mayoralties.

Labour may sigh over this. Politics would be richer if the UK were a federation and if the Conservatives had not set out to bury local government. But they have to operate in the world as it is. In that world – the real one – there is only one British prize worth having. Mr Smith either becomes prime minister in, say, 1996, or he hardly becomes a footnote in history.

He should therefore be devoting all his energies, and his intellect, to a study of how to get his hands on the keys to Number 10 Downing Street. What he should not be doing is compromising his personal reputation for consistency by opposing the government on a vote to proceed with debate on the bill to ratify the Maastricht treaty – and then wrapping up the decision in specious excuses about its being a vote of confidence. Mr Clinton could tell him a thing or two about blurring a track record for straight dealing.

The temptation for Labour is to see the government's present embarrassment as a chance to score points. This distracts it from what should be a single-minded pursuit of eventual office. Some in the party fantasise about bringing the government down now. Such an absurd proposition is not worth pursuing. Others think it would be good fun to overthrow the prime minister. The most likely result of that would be the election of Mr Kenneth Clarke, who after a year or two would be the beneficiary of the end of the recession and thus a probable contender for the honour of scoring the fifth successive Tory election victory in a row.

Labour was seen as the Woolworths of political choices in a country aspiring to Marks and Spencer

Labour will stand the best chance if it plays a long game. That is what the Clinton Democrats have done, partly through the Democratic Leadership Conference, a right-inclined grouping of southern governors and other elected representatives. The conference has captured the party. It has worked through sympathetic think-tanks to position it more towards the centre of US politics. It has abandoned the unteachable left.

Under Mr Neil Kinnock Labour did half of much the same thing, even down to promoting the establishment of the Institute for Public Policy Research. Mr Kinnock's efforts did not bear fruit. Labour was still seen in April as its old self, the Woolworths of political choices in a country increasingly aspiring to buying its goods at Marks and Spencer. His changes did not reach into the soul of his party. Voters understood that. Mistrust of Labour's true motives defeated it.

Mr Clinton, a proponent of workfare, has deliberately pitched both his politics and his rhetoric to the Reagan Democrats (for which read Britain's famous Thatcherite skilled working classes). He has sought votes among the middle classes and in the suburbs, territory that is still largely alien to Labour. The governor has employed a southern strategy; Labour's only hope of real progress in the south of England is an agreement with the Liberal Democrats. Mr Clinton has focused his proposals to increase income taxes on families with incomes greater than $200,000, far above the level proposed by Labour in April. Labour's April image was subliminally to the left of its slick packaging; Mr Clinton makes you feel that his administration might be a workable alternative management of a capitalist system in which Democrats truly believe.

The former Labour leader understood that this was what had to be done, but he was unable to make more than superficial progress. The task for Mr Smith is to reconstruct his party, and its way of thinking, from the guts outwards. Nothing he has done as leader so far suggests that he is doing this. If the consequence is a Labour party that never returns to office, that will be what it deserves.

PERSONAL VIEW

The moment of truth

By Geoffrey Howe

The prime minister has made the situation clear. Wednesday is the time for Britain to decide, clearly and unequivocally, whether it intends to ratify the Maastricht treaty. He is right to put the question, on a substantive motion, squarely before the House of Commons.

At some point this moment of truth had to be faced. There is now no point in delay – unless the objective is to scupper Maastricht. If the intention is to ratify the treaty, rather than find a pretext to bury it, the time to act is now. The longer the decision of principle was left, the more the government's opponents would scent blood. They would view deferral as victory in disguise.

Both the Labour opposition and the Tory dissidents have claimed until now that it "makes sense" to wait for Denmark to make its decision on the treaty. Their argument has been that (as indeed the government came perilously close to conceding over the summer) Copenhagen's intentions should be settled before the Commons resumes work on a bill which might be unnecessary. Why have a Tory punch-up today over a treaty which could sink under its own weight into the Baltic Sea tomorrow?

These arguments have always been specious. What the "after you" school of Euro-diplomacy is really saying is that it would be very happy to see Maastricht die.

For anyone to claim that there is no link between early UK ratification and Maastricht's chances of coming into effect is in fact to engage either in self-delusion or deception, or both. What incentive have the Danes to do a deal unless they see that all other member states will ratify?

UK inertia distorts their choice. In Labour's case, cloudy logic is motivated by the pursuit of unprincipled party advantage. In the case of the Tory Euro-phobes, the refusal to admit the link is much more calculated. It is a cynical deception designed to disable the government and impose a minority view. Thank goodness the government has seen the dangers of that route.

The same disingenuousness now reappears; so the claim that a deal on subsidiarity must be settled before the Maastricht bill can proceed. How could the British presidency of the European Community act as honest broker in Edinburgh on this or any other issue if the Commons declined to discuss the treaty, let alone if it voted against it?

Letting things slide might help the government in the

'We have nothing about which to be ashamed or defensive'

short term, but it would leave Britain as the one clearly seen to have pulled the plug on further progress. That would deliver another big blow, after the ERM retreat, to British credibility and influence in Europe. The government clearly understands the risk and is not prepared to run it.

The case for an early Yes vote by the Commons thus comes back to the treaty's substance. Why do we want Maastricht at all? The answer is we want it for positive and negative reasons which the public debate so far has scarcely addressed, distracted by the

Letting the Maastricht decision slide would deliver another big blow to British credibility and influence

media obsession with party and parliamentary tactics.

Positively, Britain knows that its standing in the world is greatly enhanced by effective membership of a strong European Community. It wants a common foreign and security policy, on the right kind of terms set out in the Maastricht treaty. It believes in closer co-operation in justice and home affairs. It favours more democratic legitimacy and better control of EC administrative structures.

Britain also likes the flexibility offered by more moves towards intergovernmental decision-making, but accepts the rationale for binding law decided by majority vote in respect of the single market. As any continental politician will testify, the final treaty design owes much to the UK. We have nothing about which to be ashamed or defensive.

More negatively, we have much to fear from Maastricht's demise. The treaty keeps firmly alive the notion of the EC developing "as 12". It makes less, not more, likely a fast-track, inner-core move by Germany and France to form their own monetary and political union, with Benelux in tow.

For Denmark, too, it should be seen as a last chance to save the power of the smaller countries in a system which, almost by chance, gives them disproportionate influence.

Few people in Britain seem to have caught up with the speed with which the anti-Maastricht forces have retreated in France since September 20. While the French government may be boxed in by its farmers on the Gatt talks, Paris is now proceeding on all other mainstream European issues as if nothing had happened. France stared into the abyss and realised the absolute necessity of re-cementing the Franco-German axis as the working motor of Europe. That process is already back on track. In Bonn, similar conclusions were drawn.

Britain's Euro-phobes need to understand the reality that follows from this. Failure to ratify might mean the "death" of Maastricht in a technical sense. But it would certainly not kill the concept of closer – much closer – partnership between 10 (or five) of the other member states. Whatever the technical difficulties, they would find a way of going ahead without us. And that would be the real defeat.

The economic consequences for Britain would be disastrous. Last year, Japan's then prime minister, Mr Toshi Kaifu, told me that he regarded the country's link with Britain as "the keystone of the arch of their relationship with Europe". However, last week a Japanese businessman bluntly put to me a very different point of view: "We are beginning to wonder whether we were right to regard Britain as the gateway to Europe after all."

It is not only Japan. In my native Wales, for example, 50 German companies have chosen to invest. By 1995, Bosch alone will be employing 1,200 people. How long would this kind of investment continue if Britain were to repudiate a treaty that had been so precisely tailored to our needs?

Those Conservative MPs (and others) who dub Maastricht as a distraction from the economic debate really must cast aside such inward-looking myopia. Economic recovery and European policy are two sides of the same coin. Failure to ratify Maastricht would be a truly massive economic as well as political calamity – for Britain, for Europe, and indeed the rest of the world.

The Thatcherite dream of Britain miraculously evolving as a kind of north European Switzerland convinces nobody beyond our shores. They would see us wrapping ourselves in the Union Jack, in preparation for burial at sea.

John Major is right to regard the ratification of the treaty as an issue of historic proportions. He knows that the case for sticking to his gun is overwhelming. Any government which, having been ejected from the ERM, then presided over Britain's wilful destruction of Maastricht (and that is how it would be seen), could have no place at the heart of Europe. Mr Major knows that Maastricht simply must be ratified – for his sake, for the government's sake, for our country's sake, for all our sakes. The time to settle the question is now.

The author was foreign secretary from 1983-89.

LETTERS TO THE EDITOR

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Energy policy must avoid being hostage to changing fortune

From Mr Ian Powe.

Sir, Your leader "In search of an energy policy" (October 29) is aptly titled. It gets to the heart of the matter in its assertion that privatised energy is preferable to a nationalised version provided it is linked to effective, even permanent, regulation. Unfortunately there is, for government, always a political risk in declaring policies which may become hostages to fortune when circumstances alter.

The best we can hope for is some energy objectives that will stand fast in the face of change. Maybe these should simply aim to achieve:

- competitive energy prices, for UK industry and commerce, and affordable warmth and comfort for people;
- security, safety and diversity of sustainable energy supply; we must not empty the earth's larder of natural resources nor damage our environment in the process.

While energy objectives are entrusted to three independent regulators (OFT, Offer, Ofgas) and to two government departments (of trade and industry and of the environment), there is a worry that their separate actions will not always harmonise. Energy inquiries now under way should consider the case for more centralised and open scrutiny of the market forces on which energy policy seems at present to be based.

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Reject the impassioned lobbies

From Mr David Starkie.

Sir, Your leader, "One cheer for the chancellor" (October 30), affirms the chancellor's right to insist on the maintenance of economically valuable capital spending in a recession. However, not all capital projects currently vying for support fall into this category. One notable example is London's Jubilee line, which has a negative return measured on a cost benefit basis. The credibility of the government's economic policy is to be judged by its willingness to reject such cases despite impassioned lobbying.

David Starkie,
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Swedish example of way to run open government

From Mr Per Ahlström.

Sir, You have frequently reported on rising distrust of the Eurocrats in Brussels among the citizens of EC countries.

The Swedish government might have a valuable contribution to make in the efforts to improve the communication between the EC citizens and the EC governing bodies.

In Sweden all government acts are made public unless specifically stamped "secret". And the label "secret" may only be applied to specific sections of a document, containing information regarding commercial secrets, defence secrets and matters concerning personal integrity of individuals.

This, among other things, means that the Swedish public and Swedish journalists can walk into any government agency and demand to see today's mail or to look at any specific act kept in the agency.

This principle of public acts might seem shocking to many politicians and bureaucrats who are used to the opposite principle – that all public acts are kept secret unless specifically made public. But I would point out that the system has worked well for 200 years and has greatly contributed to making Swedish government virtually free of corruption.

Per Ahlström,
editor in chief,
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Sweden

An hourly rate to make an electronics engineer happy

From Mr Fred Sander.

Sir, I am obliged to Mr John Richards for his enlightenment as to the enormous cost of bank cashiers (Letters, October 31). As an experiment I switched on a timer unit and asked my wife to hand me a £10 note over my desk. I opened a desk drawer, counted out £10 in coins and handed them to her.

This operation took 15 seconds; so allow five seconds wasted time per transaction and at current bank charges this works out at £360 an hour.

As a humble 66-year-old electronics engineer I would be more than happy to give change all day at this rate of income.

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An astonishingly antiquated view of the personnel function

From Mr Philip Sadler.

Sir, Wellcome, the pharmaceuticals company, has scrapped personnel as a board-level post, and has made it a less senior position, according the the October issue of Personnel Today. The departing personnel director, Peter Hobbs, is reported as saying that the move is "part of a general down-grading of the personnel function".

Mr Hobbs lays part of the blame for this on the influence of City analysts, suggesting that, in the eyes of stockbrokers, the profile of a successful company does not necessarily include a personnel director. His view was partly confirmed by Hoare Govett pharmaceuticals analyst, Nigel Barnes, who said that "happy employees are important but personnel was not of primary importance".

It is astonishing in this day and age that an investment analyst in such a reputable firm is still holding on to the antiquated idea that the personnel function is concerned with happiness. What he (and the Wellcome board) needs to understand is that in a knowledge-intensive industry such as pharmaceuticals the personnel or human resource strategy is central to the business strategy.

The task of the HR function is to contribute to the achievement of a sustainable competitive advantage by means of superiority in such fields as recruitment, selection, training and development, performance management, motivation, organisation design and, above all, the development of a corporate culture which nurtures talent and encourages creativity.

This fact is recognised very clearly by such overseas competitors of Wellcome as Merck, which has a very strong HR function. Barnes says that "when we are assessing the value of the company, the most important thing is the products". He fails to perceive that in a pharmaceutical or other knowledge intensive industry the people *are* the product. Where does he think new drugs come from if not from highly committed, highly creative people?

Incidentally, the same issue of Personnel Today comments that "some of the 500 employees who committed themselves to achieving Investors in People status at its launch a year ago are making little progress towards the award". I am not surprised.

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OBSERVER

Economists' hall of fame

■ How should the Treasury go about picking the members of its new economic panel to improve economic forecasting? The FT has just helpfully drawn up a fame-ranking of economists in the UK which might help the Great George Street mandarins. It is based on the number of articles in heavier, as distinct from tabloid, newspapers, in which a particular dismal scientist is mentioned. Each name is counted only once per article.

By that yardstick, Britain's best known economist over the 12 months to mid-October is Gavyn Davies of Goldman Sachs, with 161 mentions.

The top 10 also includes Tim Congdon, Patrick Minford, Bill Martin and Peter Warburton – all members of the "Liverpool Six" group who've long said the Treasury was over-optimistic about predicting recovery – plus another vehement opponent of government policies in Neil Mackinnon of Citibank.

Three of the four remaining top-tenners are Roger Bootle of Greenwell Montagu, Gerard Lyons of DKB and Peter Spencer of Kleinwort Benson. The other is Adam Smith who's unlikely to be asked to join the panel committee on account of having been dead for 202 years.

Fame, however, is not apparently a reliable gauge of quality. For, in several cases, very few mentions were scored by people highly placed in last week's FT ranking of economists for the accuracy of their projections.

The leader by that criterion, Paul Turnbull of Smith New Court, came only 37th in the fame league. And the third most accurate, Keith Wade of Schroders, surely deserves better than 46th place in the celebrity list with only a single mention.

But there is consolation for the Treasury's chief economic adviser Alan Budd, who has the final say on membership of the panel. Even though his forecasts have not been the best, he performs creditably in the latest test, coming in at number 15.

Bondage

■ So how do these canny US hedge funds, which have been increasingly recognised as a powerful force in the world's financial markets, devise their trading strategies?

Well, from the current US edition of Penthouse for starters. One fund has seized on the magazine's interview with Gennifer Flowers, the one-time cabaret singer who has been alleging that she had a 12-year affair with US presidential candidate Bill Clinton.

The funds' traders wanted to know what view they should take of the US bond market in the event of a Clinton win. So they sent off to a professional psychoanalyst the 16-page article, during the course of which Flowers goes into fulsome detail about her alleged relationship.

It was returned with the seminal conclusion that the Democratic candidate likes to be pushed around. And what does that mean for financial markets? A sell for bonds and good news for the stock market, of course.

Can of beans

■ Alexandra, aka Heidi, Sprüngli is back. The new 44-year-old wife of the 72-year-old Swiss chocolate king Rudolph Sprüngli was on Swiss television last weekend to deny some of the more colourful allegations

about her past.

The August marriage inspired the Swiss media subsequently to publish a flurry of photographs and testimonials suggesting that the career of the new Mrs Sprüngli had ranged rather more broadly than merely waitressing, inheriting a large sum of money after marrying an older man who died within 18 months of their wedding, and being a member of the obscure religious sect, I AM.

Little had been heard from the happy couple themselves post the nuptials, but now the chocolate pot has taken another stir. Looking like a sergeant in the Salvation Army with virtually no make-up and her dark hair pulled tightly back in a bun, Alexandra/Heidi nearly denied the allegations: "If you took all the things said about me and added them all up, only about 5 per cent is true." The incriminating photographs of her in bra and suspender belt were montages, she said, with her head on someone else's body.

Shareholders of Lindt & Sprüngli, who may have worried about reports that the new Mrs Sprüngli would take over management of the company can rest reassured. "My second wife will certainly not become president of the company," said her perfectly attentive new husband.

Ach so!

■ Bundesbank president Helmut Schlesinger, horrified at the notion that he could ever have been trying to sabotage the pound, was yesterday successfully pouring oil on troubled waters as he played host in Frankfurt to visiting members of the House of Commons all-party Treasury select committee.

However, what he is most unlikely to have explained is the existence of a plain old mistake on the part of one of his aides in drafting the now infamous memo, released to the press at the end of September, and which so provoked the Treasury.

In the early version of Schlesinger's interview, given to the German daily Handelsblatt and published on (Black) Wednesday September 16, the German central banker specifically puts in a kindly word for sterling.

Sadly, as the author of the memo now shame-facedly admits, he himself had quite overlooked this, and had cited instead the lengthy version of the interview which appeared the following day, and which the Treasury apoplectically then denounced as largely irrelevant on the grounds that the damage to sterling had already been done.

Tough times

■ How can you tell that Massachusetts is in deeper recession than the state of Illinois? In Boston, the mafia has laid off five judges, in Chicago it's only two.

FINANCIAL TIMES

Tuesday November 3 1992

US and Europe in farm talks as trade tariffs threat looms

By David Dodwell, World Trade Editor, and agencies

US and European Community farm trade negotiators extended last-ditch discussions in Chicago yesterday aimed at settling a long-standing dispute over the EC's farm subsidy regime.

Neither side would indicate whether a breakthrough was in sight, but as talks stretched into the afternoon, forcing US officials to cancel electioneering plans, hopes rose that progress was being made.

At the outset of the talks between Mr Edward Madigan, the US agriculture secretary, and Mr Ray MacSharry, his EC counterpart, the EC reiterated that any deal would have to protect the reform of the Common Agriculture Policy agreed in May.

In the light of many previous disappointments, officials on both sides insisted that there was little optimism that talks on the eve of the US presidential election could break the deadlock.

"No substantial new proposals were advanced last night", Mr Roger Runnigen, the US agriculture department spokesman said of a dinner meeting on Sunday night between Mr Madigan and Mr MacSharry.

The farm trade *impasse* has for two years blocked progress towards agreement on the ambitious Uruguay Round of talks on world trade liberalisation, which could generate an estimated $100bn (£61bn) a year in international trade.

It has also threatened to boil over into outright trade war, with the US calling for sanctions against the EC for its oilseeds subsidy regime, which they say causes losses of $1bn a year for US oilseed farmers.

US trade officials confirmed yesterday that punitive tariffs – mostly aimed at France, Europe's leading farm exporter – would be presented tomorrow at a meeting in Geneva of the council of the General Agreement on Tariffs and Trade if no settlement is found in Chicago.

Mr Runnigen said the two sides had met for more than three hours on Sunday, and had resumed on Monday morning. Contrary to original plans, talks continued into the afternoon, with the two farm representatives devoting almost all of that time to the controversial oilseeds dispute. The farm ministers were evaluating a proposal by Mr Madigan that Mr Runnigen described as "a variation on a theme" dealing with EC oilseed production. Mr Madigan is understood to have made eight different proposals aimed at resolving the dispute during the past two weeks.

The US has pressed the Europeans to reduce their subsidised oilseed output from more than 12m tonnes to 9m or less. The EC, which calculates that its CAP reforms can cut output to 9.5m tonnes, insists that the US should not call for any further reforms than those assured under the CAP.

Asked if the EC was showing any more flexibility on the issue, Mr Runnigen said: "Both sides want to get to an agreement."

Asked if Tuesday's US presidential election was interfering with the talks, he said President George Bush had told Mr Madigan "to carry out this negotiation as if there were no election". This view was reiterated in Washington, where US trade officials say President Bush will continue with negotiations.

Mercedes shelves plan for DM1bn truck plant in east

By Quentin Peel in Bonn and Leslie Colitt in Berlin

MERCEDES-Benz, the car and commercial vehicle subsidiary of Daimler-Benz, announced yesterday it was shelving plans for a DM1bn ($600m) truck factory outside Berlin in the most serious blow yet to hopes for new investment in former East Germany.

The move provides graphic confirmation of the downturn in the west German economy and the wider European market. It coincided with the latest industrial production figures for west Germany, showing a seasonally adjusted month-on-month fall of 2 per cent in September.

The Mercedes decision is the second serious setback for investment plans in east Germany in recent days, following the news that Krupp is not going ahead with the takeover of the Eko steel plant on the Polish border.

It underlines fears that the slowdown in the west of the country is likely to undermine the inflow of urgently needed investment to the east, where unemployment is running at about 35 per cent.

Mr Werner Niefer, the chairman of Mercedes-Benz, said the decision to shelve the plan for a truck plant at Ahrensdorf had been taken because of "structural problems in the European commercial vehicle industry", which had become visible as a result of the economic downturn.

He said medium-term forecasts for the west European market had been revised downwards because of declining demand for both light and heavy trucks, and there was also a clearly reduced potential for the development of markets in eastern Europe – a key reason for the east German plant.

"All these facts, as well as the current under-utilisation of capacity at our existing plants . . . simply do not permit any decision to be taken on a new site for the time being," he said.

The state government of Brandenburg, where the plant was to be situated, put a brave face on the decision, stressing that it was only temporary. However, it confirms a worsening investment outlook throughout the German economy.

The decline in west German industrial production was headed by a fall of 2.5 per cent in manufacturing industry output in September, although there was a slight recovery in mining (up 1 per cent) and construction (up 2 per cent). Comparing the combined production totals for August and September with the same months of 1991, manufacturing output fell 2.8 per cent, and overall industrial production by 2.1 per cent.

The gloomy outlook was further underlined when Volkswagen, Europe's largest motor manufacturer, said it was extending short-time working to include 12,000 of the 18,000 workers at its Hanover plant in part of January and February. The plant makes light commercial vans.

Mercedes, Porsche and BMW have announced production restraints in recent weeks.

Bayer profits downturn, Page 19

Major woos and warns Maastricht rebel MPs

By Philip Stephens, Political Editor, in London

BRITAIN'S Conservative government yesterday delivered a stark warning that a vote against the Maastricht treaty on European union in tomorrow's crucial House of Commons debate could wreck the prospects for UK economic recovery.

With Mr John Major, the prime minister, personally leading a frantic campaign to win back Euro-sceptics in his party, there were signs last night that the arithmetic of the vote was shifting slightly in his favour. But amid the claims and counter-claims from both sides the outcome still looked perilously close.

The threat that a defeat would provoke a renewed economic as well as political crisis was reinforced by a sharp fall in the value of the pound on foreign exchange markets. Dealers cited the political uncertainty as a central factor in sterling's fall to a record low of 77.7 on its trade-weighted index against a basket of currencies.

The precarious economic outlook dominated a lengthy cabinet session last night called to share out the deep cuts in Whitehall spending programmes needed to meet the Treasury's target for the autumn economic statement on November 12. The cabinet will meet again this morning to continue the discussion.

Ministers sought to lift some of the gloom by hinting again that the statement would be accompanied by a cut in interest rates, and by promising that important capital projects would be protected by a combination of private and public sector money.

Downing Street officials said that at this stage there was no question of the cabinet agreeing to break the £244.5bn ($374bn) ceiling agreed on spending next year. But there were suggestions that the Treasury might find ways to "circumvent" the target with creative accounting.

There were also signs the government is working on emergency measures to help the housing market.

But the special cabinet session brought confirmation that a fierce squeeze on public sector pay, unpopular cuts in social security benefits and deep reductions in defence spending will be at the heart of the public spending package.

Mr Kenneth Clarke, home secretary, acknowledged that the coincidence of the revolt on Maastricht with the cabinet battle over public spending cuts confronted the government with one of its most critical weeks.

The strongest warning of a slump in economic confidence if the Maastricht vote was lost came from Mr Michael Heseltine, trade and industry secretary. He told BBC radio that Maastricht was "at the centre of restoring confidence to this country's trading economy".

Mr Major, whose personal authority would be gravely undermined by a defeat, made the same point in a meeting with about 20 Conservative MPs.

Unita suffers setback in Luanda

By Julian Ozanne in Nairobi and Peter Wise in Lisbon

THE ANGOLAN government strengthened its hold on the capital Luanda yesterday after further fighting in which a number of senior officials of the former rebel Unita movement were feared dead or wounded.

The death toll from four days of fighting in the capital and five large southern provincial cities rose to more than 1,000, according to Angolan state radio. Reports from Luanda said fighting, shelling and mortar attacks continued in the city yesterday in breach of a United Nations brokered ceasefire agreement.

However, a UN official said the accord "does seem to have had a favourable effect . . . hostilities are reduced to small pockets."

Government forces appeared to have gained the upper hand by yesterday afternoon, after soldiers and police had mopped up areas of violent resistance from Unita forces. The fighting broke out a month after multi-party elections in which Unita was defeated.

Diplomats in Luanda said the government renewed its offensive against Unita positions in the capital early yesterday morning in the suburbs of Miramar and Sao Paulo and pounded the downtown Turismo and Tropico hotels, where Unita officials were staying.

Vigilantes, armed by the government, were reported to have conducted manhunts for Unita supporters.

In Washington, Mr Jardo Muekalia, a senior Unita official, accused the government of going on "an all-out offensive to cleanse Unita from the cities". He said he could not confirm the reported deaths of Mr Jeremias Chitunda, vice president of Unita and Mr Elias Salupeto Pena, a senior military official, nor the reported wounding and capture of Mr Abel Chivukuvuku, Unita's foreign affairs spokesman.

Mr Muekalia, who earlier spoke to the headquarters of Mr Jonas Savimbi, Unita's leader, said the situation was extremely serious but was not beyond a last-minute resolution aided by the international community. "This could be the beginning of the civil war or the end of the civil war," he said. "It depends on how the international community acts now."

Ambassadors of the five permanent members of the UN Security Council convened a hasty meeting to discuss ways to save the UN monitored peace accords.

France cuts interest rates

Continued from Page 1

the French government was forced to raise interest rates a month later.

● Barclays Bank, the British clearing bank, yesterday launched an investment income paying cheque account for French clients, to replace the interest paying cheque account banned by the government last month.

Interest paying cheque accounts are forbidden under French law, in order to protect the tradition of not charging clients for processing cheques and to hold down banks' cost of funds.

The new account automatically places a proportion of the balance in an investment fund, units in which can only be sold on clients' written consent.

GM names new chief

Continued from Page 1

The three executives who have taken early retirement, apparently under pressure from the board, are Mr Robert Schultz, 62, group vice chairman; Mr Lloyd Reuss, 56, who was in charge of North American automotive operations until replaced by Mr Jack Smith following April's coup; and Mr F. Alan Smith, 61, an executive vice president in charge of the corporate support group.

Mr Louis Hughes, 43, president of GM Europe, has been appointed head of GM's international operations in place of Mr Jack Smith and will remain based in Europe. Mr Richard Wagoner, 39, formerly managing director of GM in Brazil, becomes the group's chief financial officer.

Mr Smith, in a satellite broadcast to GM dealers and employees, said his plan to return North America to profit had the unanimous support of the board, and he pointed out that Mr Smale would not be an officer of GM or running the company.

Rising dollar hits pound

Continued from Page 1

Dealers believe that the pound could be heavily sold off if the government loses Wednesday's vote on the paving bill to ratify the Maastricht treaty. One UK-based fund manager suggested yesterday that sterling could fall to $1.40 and DM2.20 in the near-term if the government is defeated in the House.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	R	12	54	Frankfurt	C	4	39	Majorca	F	13	55	Oporto	F	13	55	Tenerife	F	21	70
				Brussels	F	8	46	Geneva	C	7	45	Malaga	S	19	66	Oslo	R	4	39	Tokyo	S	15	59
				Budapest	Dr	9	48	Gibraltar	S	18	64	Malta	F	24	75	Paris	Dr	8	46	Toronto †	R	4	39
Ajaccio	C	17	63	Buenos Aires	F	25	77	Glasgow	C	6	43	Manila	F	29	84	Prague	C	3	37	Tunis	C	18	64
Algiers	T	11	52	Cairo	S	31	88	Helsinki	C	6	43	Melbourne	F	14	57	Reykjavik	Sl	2	36	Valencia	F	17	63
Amsterdam	R	8	46	Cape Town	S	21	70	Hong Kong	S	25	77	Mexico City	C	23	73	Rhodes	S	27	81	Venice	S	17	63
Athens	C	26	79	Caracas	F	31	88	Innsbruck	[illegible]	14	57	Miami †	S	24	75	Rio de Janeiro	R	28	82	Vienna	Dr	7	45
Bahrain	S	28	82	Casablanca †	S	19	66	Inverness	R	6	43	Milan	F	14	57	Rome	R	16	61	Warsaw	F	8	46
Bangkok	C	29	84	Chicago †	R	13	55	Islamabad	F	27	81	Montreal †	C	-3	27	Salzburg	C	7	45	Washington †	R	9	48
Barcelona	Dr	11	52	Cologne	S	7	[illegible]	Istanbul	F	18	64	Moscow	C	0	32	S'Francisco †	S	16	61	Zurich	C	7	45
Beijing	F	5	41	Copenhagen	C	[illegible]	46	Jakarta	R	32	90	Munich	C	5	41	Seoul	S	13	55				
Beirut	[illegible]	29	84	Corfu	F	22	72	Johannesburg		–	–	Nairobi		–	–	Singapore		–	–				
Belfast	R	8	46	Dallas †	S	7	45	Lisbon	S	17	63	Naples	R	17	63	Stockholm	F	7	45				
Belgrade	S	16	61	Dublin	R	9	48	London	R	15	59	Nassau	C	30	87	Strasbourg	C	7	45				
Berlin	S	6	43	Dubrovnik		–	–	Los Angeles †	S	16	61	New Delhi	S	29	84	Sydney	C	19	66				
Biarritz	F	14	57	Edinburgh	C	8	46	Luxembourg	F	2	36	New York †	C	6	43	Taipei	F	25	77				
Bombay	S	32	90	Faro	S	19	66	Madeira	C	20	68	Nice	F	17	63	Tangier	F	17	63				
Bordeaux	C	13	55	Florence	F	17	63	Madrid	F	13	55	Nicosia	S	28	82	Tel Aviv	S	32	90				

Temperatures at midday yesterday
† Noon GMT temperatures
C–Cloudy Dr–Drizzle
F–Fair Fg–Fog H–Hail
R–Rain S–Sunny
Sl–Sleet Sn–Snow
T–Thunder

THE LEX COLUMN

Tarnished gilts

The composure shown by the gilts market since Black Wednesday's devaluation seems finally to be cracking after yesterday's fall of more than a point at the long end. The most obvious concern is the Autumn spending round, which has set the market worrying about drift in fiscal as well as monetary policy. Tomorrow's parliamentary vote on the Maastricht Treaty may, however, ultimately prove to be more important.

Funding a PSBR which, on some estimates, could approach £50bn next year is certainly a daunting task. It would be rash to assume the authorities' only strategy is to allow gilt prices and the exchange rate to fall far enough to attract foreign buyers back into the market. When sterling was floating before, overseas investors bought gilts when they thought the currency was cheap, but they did not necessarily hold on to them. That suggests the need for substantial domestic support will continue.

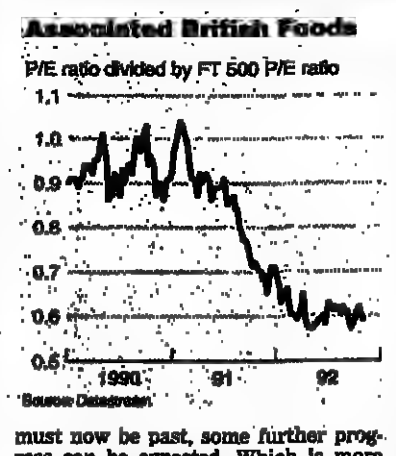
Indeed the authorities might eventually be forced to relent on their refusal to allow bank and building society purchases of gilts to count as funding. The chancellor would have been foolish to play into the hands of spending ministers by announcing this in last week's Mansion House speech while budget discussions were still going on.

As for foreign investors, they would be more likely to buy and hold gilts if they perceived a period of currency stability ahead. Perhaps sterling will tend to rise against the D-Mark next year in the backwash of a higher dollar and lower German interest rates. Foreign appetite for gilts would be greater, though, if the market had by then started to believe sterling might eventually rejoin the ERM. The credibility of that expectation has less to do with the absolute level of sterling than with the government's ability to overcome its internal divisions over Europe.

AB Foods

With bone-crunching competition in milling and baking, Mr Garry Weston, Associated British Food's chairman, must be glad that his protracted fight to buy British Sugar eventually succeeded. All the more so because the full-year figures show how falling interest rates have eaten into ABF's investment income. Profits of £139m from sugar this year fully justify the £880m which the company paid for British Sugar, and while the best of the rationalisation improvements

FT-SE Index: 2687.8 (+29.5)



must now be past, some further progress can be expected. Which is more than can be said of the bread business. Arguments rage about whether Ranks Hovis McDougall, ABF or the independent bakers are stoking the price war. But the strong position of the supermarket chains means that the flexible independents are moving to take over the own-label cheap loaf market, while the large groups need that volume to keep unit prices down.

So everyone has an incentive to keep the battle for market share going. The woes of this commodity business are only increased by devaluation. If as expected the "green pound" is devalued within the EC this January, UK wheat prices will rise, but bakers are unlikely to be able to pass on much of the price increase. Thinly-sliced margins will thus be cut further.

Fortunately for ABF, its balance sheet is strong. While it too is cutting capacity, it is likely ABF will emerge from the rationalisation process with a higher market share than it went in, whoever wins RHM. But that trench war and the longer-term uncertainties over EC policy in the sugar market make earnings prospects dull. Investors have cut ABF's rating heavily in the last two years. There is little reason for that to change.

Prudential Corporation

The market was expecting too much from Prudential's new method of accounting for life insurance business. Admittedly, the new accruals method of recognising profits results in a higher earnings figure. If investors are less flummoxed by the way profits are generated from the life side, the Pru's rating could also benefit. By recognising profits earlier in the term of life policies, though, the Pru neither increases nor diminishes the hard cash it has available to support the dividend.

Under the accruals method new business sales will be reflected in the profit and loss account. True, this means the earnings figure will be more volatile – boosted by sales of £1bn from single-premium bonds this year, for example. If better disclosure helps the market predict the dividend trend, so much the better.

A further question is whether the new method will become an industry standard. Non-financial groups such as BAT Industries will doubtless be grateful for the opportunity to consolidate higher profits. Yet Legal & General has already pinned its colours to a different mast. The rest are likely to remain sceptical until the impact on Prudential's share price is clearer. There is a danger the market will be confronted with a proliferation of accounting methods. Even if the industry follows the Pru, the sums turn crucially on management assumptions about investment returns, policy surrenders and so on. This fact alone is reason enough to be sceptical.

Bayer

The market should hardly have been surprised to learn that Bayer's full year profits will be lower than last year. Dreadful figures from ICI and DSM last week underlined how bad conditions in bulk chemicals have become. On top of the cyclical problem of over-capacity and weak prices, European companies face the threat of cheap dollar imports. The foreign exchange markets have been doubly unkind to Bayer; its US pharmaceuticals earnings will be weak this year when translated into strong D-Marks.

There must be some doubt about how far pharmaceuticals can prop up the bulk chemicals side. The company is not alone in facing the threat of a tougher drugs pricing regime in the US, whoever wins today's presidential election. Equally worrying is the prospect of enforced 5 per cent price cuts in Bayer's home market, but it is encouraging to see the company determined to keep the lid on costs. Third quarter figures due at the end of this month will determine whether Bayer joins ICI, BASF and DSM on the list of chemicals companies with doubtful dividends.

FINANCIAL TIMES SURVEY

□ The economy: "adjustment process" could lead to higher unemployment Page 2

PORTUGAL

□ The media: television is no longer a state monopoly Page 5

SECTION III

Tuesday November 3 1992

The country's modernisation drive is slowing down as it wrestles with ambitious targets for European economic and monetary union. The challenge now will be to keep on track, writes **Patrick Blum**

Euro-train's bumpy ride

Old-style decor at Oporto railway station; the express train to modernisation will have to slow down (picture by Lydia van der Meer)

PORTUGAL'S express train to modernisation is having to slow down as economic and political uncertainty threatens to derail plans for European Economic and Monetary Union (Emu). No-one has yet pulled the emergency brake in panic, but after the recent financial markets' turmoil, some passengers are wondering if it might not be a good idea to jump off the Euro-train altogether.

Firmly in the driving seat, Mr Anibal Cavaco Silva shows no sign of trepidation. For the prime minister and his right-of-centre social democratic administration, there is no realistic alternative to deeper European union for Portugal – or for Europe. He believes much of the damage caused by upheavals in the financial markets could have been minimised or avoided had appropriate institutions and instruments been there to counter it. "What all this (turmoil) has shown is that we need more, not less, co-operation; that it is important to press ahead more urgently with Emu," he says.

There is broad support for this policy in Portugal, from the ruling Social Democrats to the Socialist opposition. Portugal will not have a referendum on the Maastricht treaty, whose ratification will be approved by parliament shortly. This requires minor constitutional amendments, but the socialist party says it will support the necessary changes.

Dissent over Europe, which had been subdued and mainly left to the political fringes, was given a boost by the Danish No to Maastricht and the narrow victory of the Yes vote in France. Arguments about sovereignty, however, have taken second place to concern over the costs of European union. Farmers and industrialists who feel threatened by the single market have been more insistent in their calls for protection, lower interest rates and a devaluation of the escudo.

The government's response is that interest rates are falling anyway, and that producers must become more efficient rather than rely on competitive devaluations to sell their wares.

The problem for Portugal is that as a small, open economy it cannot avoid the consequences of economic downturn – or significant currency devaluations – in its major markets. Lower international growth already is reflected in a downward readjustment of expectations for Portuguese GDP growth to 2-2.5 per cent from 3 per cent forecast a year ago. While this remains sturdy enough by European standards, it is sharply down on the 4.5 per cent average annual growth rates registered by Portugal in the five boom years that followed its accession to the Community in 1986.

"Of course growth will be lower, but we'll keep growing. We have no indications pointing to a recession. We are concerned about the international situation and our budget reflects our concern. This is the time to cut expenditures," says Mr Cavaco Silva, who is prepared to use the crisis in Europe as an additional reason for tightening up at home.

A tough budget for 1993 aims at further reducing the budget deficit from above 5 per cent to below 4 per cent of GDP. As there will be no extra taxes to help balance the government's books, the difference will come mostly from reducing expenditure, with most ministries asked to cut recurrent spending by 5 per cent. Unnecessary or inefficient public services will be abolished or rationalised, and public sector wages will be kept firmly in check, both to control costs and to set an anti-inflationary example to the private sector. Inflation is forecast to decline, from a little above 9 per cent this year to 5-7 per cent.

Keeping inflation and wages down may prove difficult with unemployment at below 4 per cent, while investment must be maintained at high levels if the process of modernisation and restructuring of the Portuguese economy is to continue. However, the government is prepared to accept a rise in unemployment as it would help to reduce labour market rigidities.

The government is to attack inefficiency on several fronts at once. The civil service will be trimmed, the health service reformed and partly privatised, the country's top-heavy armed forces will be cut with a large number of officers given early retirement, the capital's police force will be reorganised, university fees are to be raised and set according to a means test, and a new law aims to make strikes more difficult, especially in the public sector where labour unrest is greatest. Privatisations will be accelerated.

There have been howls of protests from students, army officers and trade unions – a combination that proved such a potent political cocktail in the heady days of revolution in 1974-75. But today each group pursues widely different and divergent interests, the colonial wars are over, democracy has been firmly anchored, and prosperity has raised individual expectations. There has been a sea change in attitudes, and the government is confident it can ride the storm.

Part of this confidence stems from experience. A two-month strike by public sector transport workers last winter was highly unpopular and ended, not for the first time, in defeat for the unions. Earlier reforms also proved unpopular initially but eventually went through. With an absolute majority, the government has another three years before a general election, and by then it hopes to reap the benefits it expects to flow from its reforms.

Meanwhile, the opposition is in disarray and in no condition to mount an effective counter-attack. As the largest opposition party, the moderate Socialist party should be leading the charge against the government, but its policies on key issues are not fundamentally different from those of Mr Cavaco Silva's Social Democrats, and it is weakened by internal party strife. The once-powerful hard-line Communist party is ageing and declining, while the small right-wing CDS is looking for a coherent programme under a young and relatively inexperienced new leader.

With the political initiative firmly in the government's hands, an economy still growing and the general feeling of most Portuguese that they are better off today than they were five or 10 years ago, Mr Cavaco Silva would seem to have little to worry about, were it not for international uncertainties which could throw the government's strategy off course.

A major part of that strategy relies on continued high levels of investment, with foreign investment playing a crucial role. The opening up of eastern Europe has not noticeably affected investment levels in Portugal, but the worldwide economic downturn is delaying investment decisions, as well as making it harder for Portuguese manufacturers to export.

Yet Portugal needs more investment and EC assistance to engage in real economic convergence with its richer EC partners. That is why a resolution to the current crisis within the Community and early agreement on a new package of EC funds including the new "cohesion" fund to help the EC's poorest states modernise their infrastructures is so important for Lisbon.

The transition from a backward, underdeveloped economy to a modern one has only recently begun, with striking progress achieved in the past six years. But much has still to be done to overcome structural weaknesses and make industry competitive.

"We have a problem in the agricultural sector, and even at the end of the transition period (2001) which we have negotiated with the Community, it will not be easy to compete abroad. It's a sector where we have real difficulties. Another matter for concern is the limited capacity of entrepreneurship in Portugal, and you can't create that by decree," says Mr Cavaco Silva.

So far, the government's strategy of gradual change has been remarkably successful – with help from the EC and a favourable international environment. The challenge now is how to keep on track towards Emu under less auspicious conditions – provided that is, that the Emu station itself has not been knocked down or specially redesigned for trains running at different speeds.

IN THIS SURVEY

(above) *Anibal Cavaco Silva, the prime minister*

Editorial production Gabriel Bowman

Peter Bruce on plans to reform the economy

Workers face pressure

MANY PORTUGUESE are still nostalgic about the 1950s. It was a time when they were arguably the richer of the two countries on the Iberian peninsula. Bankers and government officials in Lisbon remember how cheap it used to be to visit Spain and shop there. Now, say many, the main relief after crossing into Spain is that they feel safer driving on the Spanish roads.

That says more about Portuguese driving than it does about Spain's. But it is astonishing how quickly the world has turned. In Spain, GDP per head is now nearly 80 per cent of the European Community average while Portugal's struggles at around 56 per cent.

For while General Franco, Spain's late dictator, opened up his economy to foreign investors and visitors in the 1960s, Portugal's ruler, Antonio de Oliveira Salazar, bankrupted his country by fighting hopeless colonial wars in Mozambique and Angola. Franco's democratic heirs inherited a fundamentally sound market economy in the mid-1970s. Salazar left behind him a poisoned economy which the country only began to tackle seriously in the 1980s.

Not to labour the Iberian comparisons, Spain saw EC accession (at the same time) as a opportunity to spread its wings and show off to the rest of the world. Portugal saw it as a salvation.

Indeed, the results have been impressive. The escudo has managed to maintain a remarkable degree of stability in spite of the monetary turmoil unleashed in Europe in the last few months. A confident centrist government, in its third term, has clung determinedly to a strong exchange rate to force domestic industries to become more competitive. More recently, it pledged itself to full liberalisation of capital movements in an effort to force down interest rate margins in a banking system revitalised by privatisation.

In banking alone, investment last year rose nearly 40 per cent, with some 500 new branches being opened around the country. Imports of machinery rose 30 per cent in 1988 and 40 per cent in 1989.

The government is determined to keep public sector wage rises to a minimum

Volkswagen and Ford have set Portuguese hearts racing with a planned $3bn joint investment to build "space wagons" near Lisbon.

In the meantime, unemployment is only 4 per cent, the current account is in surplus (just), inflation targets (designed not to be too precise) are largely being met and two of the EC economic and monetary union (EMU) convergence targets – holding the budget deficit to 3 per cent of GDP and public debt to below 60 per cent of GDP – are within a whisker of being achieved.

But the worldwide economic slowdown has not passed Portugal by, which some people in and out of government think is no bad thing. Yet, handled correctly, that could be the excuse to begin a drive for true convergence and competitiveness.

Mr Jorge Braga de Macedo, the country's forceful finance minister, couches what is about to happen in the measured tones of all governments about to shake up the economy. "1993 should be looked at as the beginning of a multi-annual adjustment process," he says. That means policies which analysts say inevitably lead to higher unemployment.

The process has already begun, with the government quietly implementing a far-reaching reform of the public service. "It is just not working very well," says the finance minister. His 1993 budget, presented last month will force ministries to cut recurrent spending by 5 per cent and the government is taking a determined stand, in wage talks with unions and employers, to keep wage rises to a minimum.

"We cannot go on with wages rising at four or five times the EC average," says Mr Braga de Macedo. "We have to enforce greater wage discipline." Lisbon's initial target in these talks is 5.5 per cent, which, if 1993 inflation turns out at the top of its 5 to 7 per cent target band, would mean a real wage cut. Needless to say, the unions are threatening to strike and the government – which uses these talks to set public sector pay as a guideline for the private sector – may be pushed further up.

But the point is being made. And it is already being supported by a sharp reversal of the country's growth projections for this year from 3.5 per cent forecast at the start of the year to 2.5 per cent now. At the same time, exports to Portugal's biggest trading partner, Spain, are stagnating and made even more difficult by the 5 per cent devaluation of the peseta in September.

Mr Miguel Namorado Rosa, chief economist at Banco Comercial Portugues, says he believes the 1993 inflation target is too optimistic, especially as there is great pressure to devalue the escudo. "We are just not a low inflation country." An inflation target of 5 to 7 per cent for 1993 would, he feels, be credible if consumption were flat. But the government is also forecasting robust GDP growth of 3 per cent.

The government may be intent on using public investment – forecast to grow 12 per cent – to maintain growth but it will need to be careful to avoid falling into the same trap as Spain did when it rushed into large project spending after EC accession only to find itself paying much more than it had anticipated. Investors have begun demanding much higher yields on the debt Spain issues to finance its deficits.

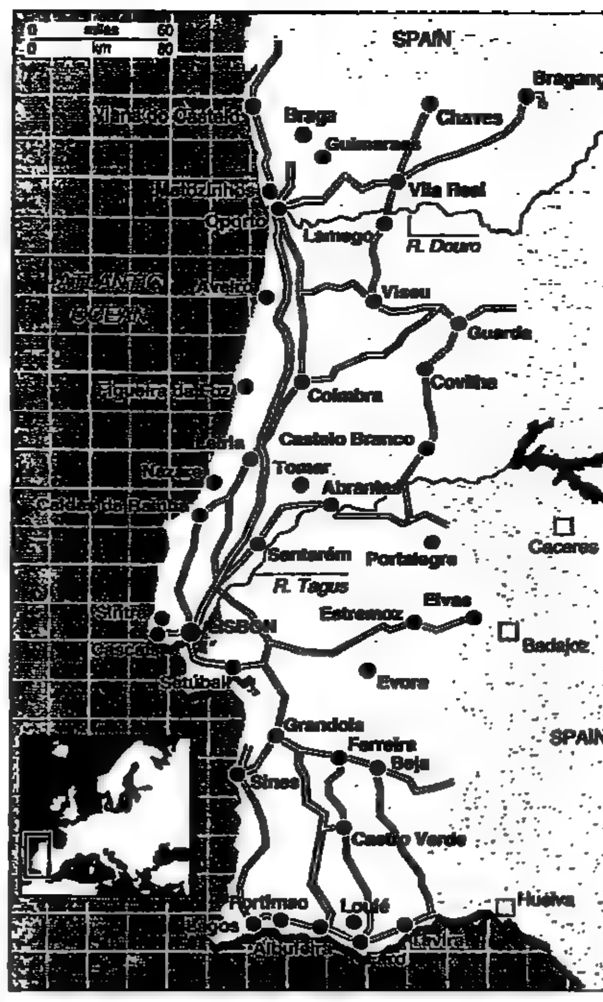
The Portuguese may be cushioned from this, though. Private savings are high – 21 per cent of disposable income. The government is also planning a big drive to streamline tax collection (and thus collect more) and it still hopes that its richer EC partners will approve, from next year, the financing of a "cohesion" fund established in principle at the Maastricht summit last year to help fund national projects in the Community's poorer margins.

Mr Braga de Macedo's hope, of course, is to converge with Europe, even nominally, and hold prices stable at the same time. He scoffs at suggestions that he needs a recession to do it even though recent European money market turmoil might have put the brakes on a gentle slide in Portuguese interest rates in the summer.

But what cannot be known now is how much unemployment the government will need to create to make the country competitive. Perhaps the better question is: what level of unemployment becomes a serious electoral threat? The potential for job cuts may be enormous as current figures disguise widespread underemployment.

In the private sector, there seems little hope that hundreds of inefficient textile, shoe and leather goods industries will ever survive serious international competition and the country's farms, which employ nearly 20 per cent of the working population (compared to 13 per cent in Spain, 15 per cent in Ireland and just 9 per cent in Italy) are a constant source of worry to Lisbon.

Nevertheless, it is probable that a two or even three point rise in unemployment is survivable politically, and the government will be careful to make a great fuss about its increased spending on infrastructure, health and social programmes. "We are reformists," says the finance minister, "and a reformist is never worried. He is always tranquil. There is no alternative to what we are doing."



KEY FACTS

Area		92,389 sq km
Population		10.58 million
Head of State		Dr Mario Soares
Currency		Portuguese escudo
Average Exchange Rate		1990 \$1 = 142.55
Average Exchange Rate		1991 \$1 = 144.18
Exchange Rate Oct 27 1992		\$1 = Es137.177 £1 = Es217.70

ECONOMY	1990	1991
Total GDP (\$bn)	59.7	68.6
Real GDP growth (%)[1]	4.4	2.1
Components of GDP (%)		
Private Consumption	62.9	n.a.
Total Investment	28.6	n.a.
Government Consumption	17.0	n.a.
Exports	36.4	n.a.
Imports	-45.0	n.a.
Agriculture as % of GDP	6.3	n.a.
Inflation (%)[1]	13.3	11.4
Unemployment rate (%)[2]	4.6	4.0
Reserves minus gold (\$bn, Dec)	14.5	20.6
Narrow Money growth (% pa)	30.0	17.1
Discount rate (% pa, year end)	14.5	14.5
Govt Bond Yield (% pa, avg)	15.2	14.3
Share prices growth (%)[3]	-43.8	-17.8
Current Account Balance (\$m)	-139	-743
Exports (\$m)	16,427	16,251
Imports (\$m)	23,007	24,003
Trade Balance (\$m)	-6,580	-7,752
Main Trading Partners[4]	Exports	Imports
US	3.8	3.4
France	14.4	11.9
Germany	19.0	14.8
Spain	15.1	15.6
UK	10.8	7.5
EC	75.2	71.8

Notes: [1] Percentage growth over previous year.
[2] Unemployed persons as percentage of labour force.
[3] Percentage growth, Q4 over previous Q4.
[4] Percentage share by value in 1991.
Sources: IMF, World Bank, Datastream, Economist Intelligence Unit.

BANKING AND FINANCE

The watchword for today

AFTER years of riding high on the fast lane of economic growth, liberalisation and privatisation, Portuguese banks are having to change gear. While the 1980s were a time of rapid expansion, the watchword now is consolidation.

Banks are still building up their branch networks, but the pace of expansion is slowing as margins decline and costs rise. "Most of the banks have more or less completed their expansion plans," says Mr Alexandre Vaz Pinto, president of the Portuguese Bankers' Association and executive vice-chairman of Banco Espirito Santo e Comercial de Lisboa, one of Portugal's top three banks.

He says the number of bank branches could reach 3,000 by the end of next year compared with around 2,500 now, but that would be a manageable number for the Portuguese market. Some areas of the country may be over-banked, but with one branch for about 4,000 inhabitants, the average ratio of branches per population is half that of Spain.

At the same time, growing costs and risks are making expansion more difficult. Rapidly building up networks has not always brought the hoped-for results. "Some banks didn't get the (additional) clients they expected," he says.

Mr Jorge Jardim Goncalves, president of Banco Comercial Portugues (BCP), Portugal's most striking banking success story, agrees. "1993 will be the final year for conquering market share, after that it will be possible only through acquisitions," he says.

BCP, a private commercial bank established barely six years ago by a group of entrepreneurs from Portugal's industrial north, has grown spectacularly to become the country's second largest capitalised bank, and fourth largest in terms of assets. It now heads a diversified banking group with insurance, brokerage, fund management, leasing and factoring activities, and it is currently awaiting authorisation to launch a mortgage bank.

Mr Jardim Goncalves says BCP will continue to expand – it will have more than 300 branches by the beginning of next year, giving it one of the largest networks in the country – but the emphasis will be on consolidating its position.

Some of the smaller banks, especially foreign institutions, are expected to continue to expand at a relatively high rate. Barclays Bank has built up its network to 49 branches, about 30 of which were opened this year, and plans to open up another 16 branches early in 1993. Spain's Banco Bilbao Vizcaya (BBV) which started with 12 branches when it bought Lloyds Portugal two years ago, now has 38 branches and plans to open another 40 branches next year, with further expansion aimed at raising its market share from 2 per cent now to 5-7 per cent.

The trading floor of the Lisbon Bolsa (picture: Ashley Ashwood)

Barclays and BBV are likely to have the most aggressive strategies among foreign banks in the near future. Two other Spanish banks, Banesto and Banco Santander, are already well established through their partial ownership of Banco Totta & Acores and Banco de Comercio e Industria respectively.

"Size is important," says Mr Vaz Pinto. "Below 5 per cent of the total number of branches you cannot be a critical player in the market." The rush to win market share either through organic growth or by buying one of the institutions being privatised has contributed to a noticeable increase in competition between banks. Publicity campaigns have been more aggressive, and the banks have vamped up their image.

As the day approaches for full liberalisation of financial services required by the European single market on January 1 1993, banking in Portugal is no longer quite the cosy cartel it used to be when most banks were in state hands.

Mr Artur Santos Silva, president of the group headed by Banco Portugues de Investimento (BPI), a highly successful private investment bank, says a crucial factor to remain competitive in the new single market era will be the ability to finance investments in technology, networks, marketing and new products.

Without such investment, banks will find it difficult to survive, especially the smaller ones. "In three or four years' time there'll be a smaller number of Portuguese banks (on the market)," he says, forecasting further mergers and acquisitions.

To meet the challenge, last year BPI bought Banco Fonsecas & Burnay (BFB), a medium-size commercial bank that was privatised, thereby gaining access to a broader source of funds as well as widening its role in the market. It is now looking at the possibility of further acquisitions.

The country's banks
(figures in billions of escudos)

	1992 (first half)	1991 (first half)	Change (%)
Assets	15,446	12,859	20.1
Credit extended	6,092	5,233	16.4
Deposits	11,224	9,326	20.4
Own capital	1,668	1,292	29.1
Profits	93.5	91.9	1.7
Number of banks	35	33	6.1

Source: Portuguese Bankers' Association

The single market comes at a difficult time. Interest rates are falling as the government strives to meet criteria for European economic and monetary union. Bank margins have fallen to their lowest levels for years, though at 4-4.5 per cent they are still high by international standards.

Mr Francisco Veloso, president of Banco de Comercio e Industria, says interest rates are not the big issue for banks. "Interest rates will fall but the banks will cope. Competition is so strong now that the banks have to adapt and become more efficient. If they don't they'll disappear."

The problem is that margins are falling just as the banks need to make substantial increases in provisions to cover bad debt. In the past, this was mainly a concern for the state-owned institutions, but even the best-run private banks now have to increase provisions as the economic climate deteriorates and many companies face bankruptcy. Mr Vaz Pinto says bad credit for all banks stands at around Es430bn, and is rising.

Bankers are also concerned by the high compulsory cash reserve which they have to place with the central bank at low interest. Cash reserves are currently set at 17 per cent of deposits, and remunerated at rates ranging from 8 per cent to 13.25 per cent. Mr Vaz Pinto says this discriminates against Portuguese banks. "Foreign banks don't have the same liquidity problems, and we want a reduction of the reserve co-efficient as an essential step for fair competition."

Banks were also upset by the government's increasing use of highly competitive treasury certificates – freely available through the post office – to encourage savings. At one point the certificates were paying close to 10 per cent above average bank deposits, but this problem was solved last month and rates for certificates have been brought into line with those offered by the banks.

The central bank's sharp cuts in interest rates last August and its announcement that it was accelerating the liberalisation of capital movements are expected to affect bank profitability adversely. The bank decided to abolish the compulsory deposit on foreign credit for Portuguese companies on August 31; and the restriction to non-resident investments in floating rate bonds from October 31; and fully liberalise non-resident investments in the domestic money market by the end of the year.

Some analysts predict real operating income for commercial banks will fall off sharply next year as a result. So, after seven years of heady growth, banks that are insufficiently capitalised or which have drawn on their deposit base to finance expansion had better watch out.

Patrick Blum

Ashley Ashwood

Anibal Cavaco Silva: "We have to govern even if that means taking unpopular decisions"

The Social Democrats and Cavaco Silva

A three-times victor

AS A student, Mr Anibal Cavaco Silva was a keen athlete and, so it is said, a highly effective hurdles runner. Close associates say the prime minister not only maintains a runner's gait, but he applies his skills to the art of politics: always preparing for the next hurdle as he leaps over the immediate one.

Whether or not that is the secret of Mr Cavaco Silva's success to date, his achievements are real enough: three consecutive general election victories, the last two with resounding absolute majorities, have left his opponents standing in the blocks and in disarray.

The moderate socialist party (PS) is at war with itself, the small right-wing Christian Democratic party (CDS) is in the midst of purification rites, the once-powerful hard-line Communist party (PCP) is in decline and fighting for survival. All of which leaves the prime minister's right-of-centre Social Democrats (PSD) with as near enough a free hand to shape the political agenda as it could wish.

Leadership of the opposition should fall to the Socialist party, but riven with internal strife, and incapacitated by personal rivalries and ambitions, it appears ill-fitted for the role. After its general election defeat in 1991, the PS elected Mr Antonio Guterres, then leading the Socialists in parliament, as new leader, with great hopes that he would modernise the party's image and give it a new impetus. But his honeymoon was short-lived, and groups within the party have resumed their small wars.

Instead much of the focus for discontent has shifted, willy-nilly, to President Mario Soares, whose relationship with the prime minister is polite but hardly warm.

Now in his second, and last, five-year presidential mandate, Mr Soares has emerged as the main source of irritation in the Sao Bento prime ministerial residence. Though the president has few real powers, he can delay legislation by presidential veto which he has been doing with increasing frequency – at times to the surprise of his socialist supporters. Mr Soares denies any intention to interfere with government, but he says he must speak out on issues that affect the country's well-being and against what he perceives as

Mr Soares has emerged as the prime minister's main source of irritation

creeping "conformism and monolitism", and what he claims are the "hegemonic" tendencies of the ruling party.

Mr Cavaco Silva dismisses the accusations. "We have a majority, and we have to govern even if that means taking some unpopular decisions," he says. As PSD leader, he has steered his occasionally quarrelsome party with a firm hand, and ensured its electoral success. He has no real contender within his party, and the opposition is too weak to pose an effective challenge.

The principal reason for Mr Cavaco Silva's success is simple: he is perceived as the main architect of Portugal's relative prosperity and as guarantor of political stability.

Though it was President Soares, then socialist leader and often prime minister, who led the courtship with the European Community at a time when Portugal was still struggling to overcome the debilitating after-effects of right-wing dictatorship and leftist revolution, it was Mr Cavaco Silva who tied the knot. And it was Mr Cavaco Silva's pragmatic, reformist, and market-oriented diligence which ensured Portugal would get the most out of its EC membership.

Since 1986 when it joined the EC, Portugal has undergone a dramatic transformation. The economy went through an unprecedented boom, it has been liberalised and modernised, the constitution has been reformed, standards of living have risen, unemployment at around 4 per cent is among the lowest in the Community, and Portugal has rediscovered a sense of national pride. There is still poverty, and living standards remain below those in the Community's richer countries, but for most Portuguese, the past few years have been a time of unquestionable progress.

The future is more uncertain. The international environment is no longer as propitious as it was in the 1980s, and some of Portugal's main trading partners are in recession or face serious economic difficulties. The European Community itself is facing a crisis of confidence, and the Portuguese economy has begun to slow.

This gives the opposition a new chance as the government prepares to embark on a further bout of unpopular reforms in its drive for modernisation.

With eyes fixed on European economic and monetary union, the government is preparing to tighten the screws. A rigorous 1993 budget aims to reduce the government deficit from above 5 per cent to less than 4 per cent of GDP. Public expenditure will fall in real terms, as will public sector wages if the government succeeds in convincing trade unions to accept 5.5 per cent pay rises for next year, and if its inflation target of 5-7 per cent is achieved.

Ministries will cut recurrent expenditures by 5 per cent, the civil service will be trimmed, the health service reformed and partly privatised, the armed forces rationalised and cut, the police reorganised, university fees will be raised, and labour relations will be tightened up with a new strike law.

All these proposals have brought vocal opposition from unions, professional associations, students, army officers, and interest groups which feel threatened by reform. But with single-mindedness, the government is pressing ahead on all fronts at once, knowing it will meet opposition and that it will cost the government in popularity, but convinced it can see its programme through.

"We can't be accused of delaying measures which we think are important for the modernisation of the country," Mr Cavaco Silva says.

These are the immediate hurdles. Further down the track are municipal and local elections next autumn, a general election in 1995, and presidential elections in 1996.

The government calculates that now is the time to push through unpopular measures, and that there will be time enough later to reap the rewards of success. If the strategy works and Portugal emerges successfully from the current uncertainty, then Mr Cavaco Silva could comfortably face the prospect of re-election in 1995, or even try his luck at the presidency in 1996.

Patrick Blum

Lydie van der Meer

The pull of the sea: fishermen at Guincho, near Lisbon

Peter Bruce assesses the country's foreign policy

At peace with its past

FROM the ramparts of St George's castle, overlooking Lisbon and the vast estuary of the Tejo river spilling into the Atlantic, it is easy to feel the pull of the sea and the west.

Out there, for centuries, Portugal sought, and found, its place in the world. Nearly 200m people in Africa, America and Asia speak its language now. And while the stories of an often bitter decolonisation have been told many times, it is still striking, just walking along Lisbon's streets and observing the black, the golden and the white faces, how comfortable the country seems to be with its past.

But Portugal has been able to put the past in its place. While the British – probably Portugal's oldest European ally – still hanker for old colonial and Atlantic ties, the Portuguese have turned their heads, if not yet all of their hearts, to Europe. It is important, this, because it makes Portugal predictable.

As a member of the European Community, though, Portugal has had to let itself be counted with the laggards, not the leaders. It is one of the "southern" lot (including Italy) which forever seem to be asking their richer northern partners for more money or more time to do hard things. Its almost seven years of EC membership have brought about wrenching changes to the way the country works. Today three-quarters of the country's exports go to Europe, more than double the proportion of a decade ago.

But there are perhaps more important though less obvious ways to measure the effects of EC accession. In the first half of this year the country assumed the presidency of the Community, a task which demanded a huge modernising effort of its cobwebbed public administration. Civil war in the former Yugoslavia and the ECs efforts to mediate in it propelled the country and its urbane foreign minister, Mr Joao de Deus Pinheiro, into the centre of the kind of European dilemma that Portugal had time and again turned its back on.

Even now, as the European Community's leaders struggle to find ways to calm growing internal scepticism about the way the EC's institutions function, Portugal is busily discovering completely new foreign policy postures for itself.

At issue are accusations across the Community that the European Commission is reaching well beyond its powers to control minute aspects of life in member countries. In Britain, Germany and Denmark, governments are trying to find ways to convince voters that this is not so and that the principle of "subsidiarity" makes control from Brussels impossible.

"I loathe the word 'subsidiarity'," says Mr Deus Pinheiro. "Let's talk about 'proximity' or 'openness'."

The concept, which the Portuguese enthusiastically support, means that EC institutions should not try to govern aspects of life in member countries which are best left to national governments. Arcane, perhaps, but for Portugal an ideal issue upon which to take sides and, perhaps, make new friends.

The subsidiarity debate does three things for Lisbon. There is little opposition to EC membership in Portugal, and the issue is a useful tool for the government to use to insist on a more transparent EC without appearing to have been put under pressure into doing so.

Also, it marks a clear separation from its closest neighbour, Spain, which fears that subsidiarity, if applied too deeply, could force it to cede powers to powerful regional governments in Catalonia and the Basque Country. And it ranges Portugal alongside the virtuous and the mighty, especially Germany.

"We are one of the oldest countries in Europe and we don't want to lose our national identity," says the foreign minister. "We have fought hard for it."

The tantalising prospect for threatened workers of potentially rich Portuguese-speaking nations in Africa

It is clear that the hard lessons of European unity that now reverberate in the UK are being quickly taken on board in Lisbon. There may not be much EC opposition now but should the economy slow even faster than it has this year and generate ill-feeling, the government wants to be ready for it.

So much so that Mr Deus Pinheiro happily discusses holding referenda on European issues in the next few years. The point, though, would be to avoid the French and Danish traps and make the questions very specific. "I would not be surprised if we had some referenda," he says, looking to 1995 and 1996. "I think people should be asked if they are prepared to have a common European defence policy, for instance."

There is symmetry here. Just as foreign policy determined the fate of the Salazar dictatorship – his colonial wars in Africa were the old regime's undoing at home – Portugal's actions in Europe are moulding life at home now.

If the old colonies, particularly in Africa, still matter, they do so not so much as influence lost but, for thousands of Portuguese, as beloved homes hurriedly left.

While both Angola and Mozambique work their way unsteadily towards ending their civil wars, many people in Portugal wonder whether they might not be able to pick up the strands of their younger lives there. Given that unemployment in Portugal is set to increase as it struggles to become more competitive, the emergence of potentially rich Portuguese speaking nations in Africa must be a tantalising prospect for threatened workers and a worried government.

Lisbon has been hard at work for years preparing a mini Marshall plan, funded with its new European partners, to help consolidate peace in Angola. Some Es80bn is already in place to help resettle guerrilla fighters.

But can Portugal have it both ways? "We want to be a good friend and an honest broker" in Angola and Mozambique, says Mr Deus Pinheiro. "Africa is a natural extension of the culture of Europe."

Perhaps only a Portuguese or French foreign minister could still say something like that with a straight face.

Industry, especially in the Vale do Ave region, faces a difficult period of transition

The survival of the fittest

CHARLES DARWIN's theory of natural selection is catching up fast with Portuguese industry. Threatened by the single European market and fast-growing competition from newly industrialised countries and eastern Europe, industrialists are increasingly talking about the survival of the fittest.

Extinction looms over many companies in Portugal's traditional sectors – clothing, textiles and footwear – whose competitiveness has relied for too long on depressed prices, low wages and a exchange rate policy geared to keeping prices competitive despite high inflation.

"That era is definitively ended," Mr Luis Alves Monteiro, secretary of state for industry, states emphatically. "Portugal's integration into the European Community means turning a page in our economic history to a period when quality will be selected over quantity."

Clothing, textiles and footwear have relied for too long on depressed prices and low wages

His words are echoed by exporters who today complain of the effects of a strong escudo, high interest rates and economic recession in their main markets. Average Portuguese wages, $4.16 a hour in 1991, according to the US Bureau of Labor Statistics, may be only a fifth of those in Germany. But they are being undercut by Europe's increasing openness to textile and other imports from the Third World.

Portugal faces a difficult transition from traditional industries afflicted by low value-added products, inefficient management and outmoded technology, to a diversified industrial base where the competitive factors are high quality, advanced technology, modern management and aggressive marketing.

It will be a costly change that is expected to lead to the closure of a third of the country's plants in the textiles, footwear and clothing sectors with the loss of 60,000 jobs over the medium term. In regions dependent on a single industry, such as garment making, the country faces acute social problems.

The hardest-hit area is likely to be the northern Vale do Ave textile region, where some 120 firms with more than 30,000 workers are in difficulty. Special EC funds are being channelled into this crisis area in the hope of rehabilitating viable companies. Incentives will be used to coax alternative industries into the area. South Korea's Samsung is currently one of the prime candidates.

The government is to discuss a recovery plan for the Vale do Ave region prepared by Mr Miguel Cadilhe, former finance minister. The scheme's main points are:

- an Es50-100bn (230-460m) risk capital fund for capital reinforcement, financial restructuring and investment by viable companies;
- tax incentives, including investment tax credit and contractual tax incentive schemes to attract new industries and interest-rate tax exemptions for banks on medium- and long-term loans;
- a reduction of the red tape involved in mergers, closures and company formation and
- new training and research bodies focused on technology, design, marketing and management. Added to these assets are a trained workforce that can be easily adapted to new skills through vocational training, industrial plants ready for adaptation, greenfield sites and relatively good infrastructure.

Spot welding metal at the Cortal office furniture factory, Agueda near Oporto (Ashley Ashwood)

Officials are trying to bring about a change in the Vale do Ave region similar to the one wrought in the Setubal peninsular, south of Lisbon. Massive foreign investment, mainly in the automobile sector, has transformed Setubal from a depressed shipbuilding and fish-canning area into the modern hub of Portuguese industry.

The jewel in Setubal's crown is the Es450bn Ford-Volkswagen plant that from 1994 will begin producing 180,000 multi-purpose vehicles a year. The plant will account for a massive 30 per cent of Portugal's exports. But its value also lies in the incentive it will provide for Portuguese automobile component producers and other suppliers.

Suppliers for the Ford-VW project have to meet stringent quality requirements. Despite the poor reputation for quality of much of Portuguese industry, companies are responding well to the challenge. By the end of the year about 30 suppliers are expected to be given Q1 status by Ford-VW, which requires a reject rate of under 2 per cent over a 12-month period.

Another 40 have a strong possibility of meeting the required standard. Other Portuguese suppliers are fulfilling similar requirements for other multinational investors in Setubal, such as Ford Electronics, General Motors and Valmet Tractors of Finland.

But officials are aware that most Portuguese companies are not up to Q1 standard. "Many enterprises don't yet possess the elementary instruments required for the management of quality," says Mr Luis Morales, deputy chairman of

The transition from struggling garment producers to Ford-VW's Q1 suppliers

the Portuguese Association of Industrialists. "They don't use standards, they don't certify products, they don't use test laboratories or carry out adequate quality control. They are not sensitive to the costs of non-quality."

But, ultimately, it is the transition from struggling garment producers to Q1 suppliers to Ford-VW that Portugal hopes to make. "Our industrial structure is engaged in a great effort of transition and specialisation, says Mr Alves Monteiro. Economists agree that the main areas where changes are needed to achieve that objective are:

□Education and professional training: Portugal has a chronic shortage of skilled workers, technicians and managers. More than 60 per cent of workers have only primary education and 15 per cent of the population is illiterate.

□Infrastructure: Considerable progress is being made, but poor telecommunications handicap companies, the road and port network is still inadequate and the railways are inefficient.

□Research and development: Links need to be forged between science and industry. More investment in research is needed to improve competitiveness.

□Regionalisation: Portugal suffers from marked regional imbalances. Political power remains centralised and the government has not yet determined a programme of regional power structures.

□Bureaucracy: Despite improvements, red tape remains a hurdle for investors and hampers business. Government departments lack co-ordination.

Peter Wise

Drought has added to the problems of the agricultural sector

Farm reform will be painful

WHEN last winter's drought was at its worst in Portugal's southern Alentejo province, desperate farmers and entire communities joined in emotional processions and prayers for rain. Whether by divine intervention or as a result of the passing seasons, rain duly came, but not soon enough to avoid the debilitating consequences of one of the country's worst drought in decades.

In March, the government hastily put together a Es20bn package to help those in the most badly affected areas, but farmers say they are still waiting for the promised compensation. With about 1.5m hectares severely affected by drought, farmers say they will go bankrupt unless assistance is available soon.

"The whole Alentejo region is in ruin because of the effects of the drought," says Mr Manuel Rebocho from the Commission for the Fight Against Drought, which was set up this year to represent farmers in the Alentejo.

The drought was a sad reminder of the broader problems facing Portuguese agriculture, which threaten the livelihood of hundreds of thousands of farming families. In 1990, almost 18 per cent of the

Farmers are waiting for compensation that, they say, the government promised in March

labour force worked on the land or in the fishing industry, according to a European Commission report. Portugal has 10 per cent of the Community's farmers, but they produce only a fraction of EC output. Agriculture accounted for 5.5 per cent of Portugal's gross domestic product in 1989.

Difficult conditions and limited prospects have contributed to a sharp decline in the number of people living on the land. Since 1986 the rural population has fallen by about 1.7 per cent annually. The total number of farms has declined from about 700,000 a decade ago to 550,000 today. Mr Raul Miguel Rosado Fernandes, president of the Portuguese Farmers' Confederation, (PAC) admits Portugal has too many farms and that a more efficient figure would be closer to 100,000 farms.

He says a large number of farms have been abandoned already, and many small farms are teetering on the brink of bankruptcy. "The average farm has about five cows. Nobody is interested in taking over these farms, or protecting under-performing co-operatives."

The potential social problems are enormous. "We must have other choices for these people – in industry and the service sector," says Mr Armindo de Sousa Ribeiro, former president of Ifadap, the financial support institute for agriculture and fisheries responsible for channelling EC funds into agriculture.

But while farming in the north is often a complementary activity with the bulk of a family's income coming from other sources, farmers in the south have no such cushion. With skills limited to farming and low educational attainments – illiteracy is above 30 per cent in rural areas – and farming as a way of life, providing alternatives will be difficult.

Portuguese agriculture is divided between small family farms found mainly in the

It was easy to obtain EC subsidies, but advice on marketing was practically non-existent

north and much larger units in the cereals-dominated south. The problem is that family plots are far too small to be competitive, while the larger farms are poorly managed and badly need investment in irrigation and new production methods. Inefficient distribution and marketing networks are further obstacles.

Since Portugal joined the EC in 1986, considerable funds and expertise have been channelled towards its agriculture. Between 1986 and 1991, EC aid for Portuguese agriculture was about Es195bn – representing 16 per cent of structural funds received by Portugal. This year, the EC has pledged Es40bn for agriculture.

EC aid is used to improve infrastructures and communications in isolated rural areas, provide electricity and running water, and to finance training programmes aimed at keeping young farmers on the land.

Many farmers have benefited, especially in the region around Lisbon and along the Tagus river where the proximity to a large market and easier access help to make farming more competitive.

Mr Manuel Rocha, a farmer in the Ribatejo province close to the capital, says EC subsidies worth about Es30.5m helped him expand and modernise his 18-hectare farm, and switch from producing oranges to peaches and plums.

He says it was easy to obtain subsidies, but complains that technical assistance was scarce, and advice on marketing practically non-existent.

Farmers' organisations say the government's economic policy does not help. With some of the highest interest rates and energy prices in Europe, farmers argue they cannot produce more cheaply. Mr Rosado Fernandes says the impact of EC membership on Portuguese agriculture would have been much more positive had the government adopted a less restrictive monetary policy.

All the same, until now Portuguese agriculture has enjoyed the benefits of EC membership without many of the accompanying hardships, but reform of the Common Agricultural Policy will change all that.

Ironically, getting the Community to agree on farm reform was one of the main achievements of this year's Portuguese EC presidency, but it will be a hard pill to swallow for Portugal's farmers. Phased reductions in beef and cereal prices, along with cuts in subsidies and the dismantlement of many import restrictions from January 1 1993, will hurt Portugal's farmers who had until recently largely been shielded from outside competition.

Many farmers know they must improve productivity and diversify to compete against other European producers by 2001 when Portuguese agriculture's extended transition period to adapt to EC rules will end, but it is likely to be a painful transition.

Sarah Provan

Peter Wise on a shift in strategy in the tourism sector

Quality, not quantity

HOLIDAYS spent amid the dust and noise of building sites cause the biggest number of complaints from British tourists who visit Portugal's southern Algarve coast, according to a recent survey for the Department of Tourism.

These visitors are victims of constructors who have been trying to keep pace with a boom in tourism that has transformed the country's main holiday region in the past decade. Tourism has been growing at a rate of 11.5 per cent a year since 1980 and high-rise hotels and apartment blocks have mushroomed at a similar speed. European tourism as whole has grown at a rate of only 3.5 per cent a year over that period.

Recent statistics reflect the dramatic expansion of tourism. This year Portugal expects to welcome 20m visitors, double the population, and almost 10m tourists (visitors who stay one night or more). This compares with 7m visitors and 2.7m tourists in 1980.

As a result, the importance of tourism to the Portuguese economy has greatly increased. Today, it accounts for 6 to 8 per cent of the gross domestic product, a contribution to national wealth that equals that of textiles, civil construction or the financial sector.

Foreign currency receipts have grown from Es57.5bn (£263m) in 1980 to Es530bn in 1991. These earnings cover half of Portugal's trade deficit, making an important contribution to the current account balance.

To ease the strain of this boom on the Algarve, where some areas are becoming overcrowded, disorganised and ugly, the government has devised a new strategy for the tourism sector. It switches the emphasis from new building to diversification and expanding the use of existing facilities.

According to Mr Alexandre Relvas, secretary of state for tourism, "our resources have their limits and sooner or later we will reach saturation point".

Instead, tourism policy will switch from a heavy dependence on sun and sea holidays and an over-strong reliance on the UK and Spain, to more emphasis on investing to improve facilities rather than build new ones.

To this end, the Department of Tourism has drawn up a 19-point plan with the overall aim of improving the competitiveness of Portuguese tourism. The strategy will be backed up with an Es50bn (£230m) two-year financial programme to support investment.

"To be competitive in the 1990s, tourism has to invest heavily in quality rather than quantity," says Mr Relvas. "This financial programme will help us create a competitive tourism industry in the future."

A total of Es20bn from the new fund will be provided as grants for investment, 60 per cent financed by European Community structural funds. Grants will cover up to 25 per cent of the total cost of investment. But unlike the past, very little will be made available for building new hotels.

Instead, the money will go to modernise and re-equip existing units, for the construction of additional facilities such as golf courses and congress centres and to diversify from beach holidays into sports and cultural tourism.

A further Es30bn will be made available by the Tourism Fund, a special credit institution, and banks at low interest rates.

Portugal's new tourism strategy is also aimed at combating a worrying trend. While the number of tourists has increased spectacularly, the amount they spend is falling. In 1980 average spending per tourist was 35 per cent above the European average in dollar terms. Today, it is 15 per cent below. Tourists currently spend a mere Es9,000 a day on hotels and restaurants.

Tourism authorities have mapped out two main strategies for changing this. Beach holidays have become a mature market, where growth is falling off rapidly. Tough competition between major operators and the globalisation of the market through airline liberalisation is forcing down prices.

Portugal is trying to diversify away from this sector into congresses, cultural tourism and golf and other sporting holidays. "This development will offer the twin advantages of attracting higher-spending tourists and being able to use existing Algarve facilities in the off-season," says Mr Relvas.

Officials also want to attract tourists away from the Algarve, which accounts for 40 per cent of total bed nights, to other areas, such as the Lisbon coastline and the unspoiled Alentejo region north of the Algarve.

Though Portugal will maintain promotional efforts in Britain and Spain, which together account for half its bed nights, efforts will also be made to boost the Italian, French and German markets and to break into the US and Japan. Regular flights from Japan, scheduled to begin in 1994, should help increase the number of its tourists from the current level of 30,000 a year.

ENVIRONMENTAL AWARENESS

Blue flags and a tinge of green

ABOUT 50km south of Lisbon in the protected natural park of the Serra da Arrabida, 2,000 tonnes of toxic waste were dumped in the open air almost six years ago. The waste came from environment-friendly Switzerland - part of 20,000 tonnes exported to Portugal between 1987 and 1990 by a Zurich-based aluminium recycling plant, writes Sarah Provan.

The Portuguese company that received the waste lacked the facilities to deal with it. The Swiss company has closed, and Switzerland refuses to take the waste back since it was exported more than four years ago – the legal limit beyond which waste cannot be returned to Switzerland.

Local protests, and an open letter by Quercus, an environmentalist group, to Mr Carlos Borrego, environment minister, failed to get the waste removed. In desperation, the park authorities began moving it themselves last month.

Environment groups condemn the Portuguese authorities' lack of concern. "The environment is hardly a top priority for the government. It seems more important to increase industry (and) build more roads," says Mr Antonio Eloy, a consultant of Friends of the Earth in Lisbon.

Mr Borrego, whose ministry was promoted to cabinet level less than three years ago, says the criticism is unfair. "Portugal is not the European Community country with the worst environment." This, he admits, is partly due to Portugal's structural backwardness. "However, it is precisely for this reason that we've had greater difficulties in applying certain regulations that other countries have applied for years."

In a programme outlined to parliament last month, he stressed the need to raise public awareness. Priority areas were "hydraulic resources, and the preservation of natural spaces, together with ecological education", especially among the younger generations.

Environmentalists are unconvinced by the minister's programme. "In 1971, the government targeted water and natural spaces; 20 years later, protected areas continue to be eaten up by fires, tourism, urban development and industry," Mr Eloy says.

Mr Jose Macario Correia, former secretary of state for the environment, agrees. "We don't need more laws, we have enough legislation." The problem, he suggests, is enforcement.

As a relatively poor country, Portugal lacks the resources available to its richer European partners to fight pollution, but environmentalists say the country's recent rapid pace of development makes action to protect the environment more urgent. Every summer, fires – not all accidental – devastate large chunks of forest and countryside, about 25 per cent of rivers are subject to pollution while around half the 10m population has inadequate water supplies; many beaches near the main towns are polluted, and in the cities, noise, exhaust fumes and chaotic building sites contribute to making life less pleasant and more hazardous.

This year, Portuguese beaches could muster only 50 EC blue flags which give them a clean bill of health, compared with 96 flags in 1991. Only Germany, Britain and Belgium were worse off. Mr Borrego blames this year's decline on a sanitary technicians' strike which prevented proper analysis of the country's beaches. But the biggest culprits are inadequate sewage systems and factories which dump chemicals and waste in nearby rivers or unused land.

The picture is not all bleak. Uncontrolled development has ruined part of the coastline in the Algarve and as a result the authorities have began to impose strict building regulations in an effort to avoid further damage. The experience is also encouraging local authorities elsewhere in the country to give more thought to the environmental consequences of planned developments.

Late to industrialise, Portugal also has avoided many of the environmental pitfalls of rapid postwar reconstruction. "Portugal emits much lower quantities of carbon dioxide than any other country (in Europe). The UK emits 2.4kg per inhabitant a year, while Portugal emits 0.9kg," Mr Borrego says.

But it still has a long way to go towards improving awareness of green issues. People will carelessly toss wrappers and rubbish onto the streets, ignoring the many green plastic bins dotted around the capital and many other cities. Lisbon has few bottle banks, and paper recycling is poorly organised.

For all these shortcomings, people have become more conscious of the need to care for the environment. The press and television are more aggressive in reporting environmental issues, and there have been official publicity campaigns to raise awareness. Mistakes that have been made, as in the Algarve, will be costly to correct, but Portugal in its dash to modernisation is still ready to benefit from the experience of others.

THE MEDIA

TV is no longer a state monopoly

A NEW era opened on October 6 when Portugal's first private television station, SIC, hit the airwaves, thereby ending 35 years of state monopoly. Early next year, SIC (Sociedade Independente de Comunicacao) will be joined by a second private station, TVI (Televisao Independente), which is backed by the Roman Catholic Church. Their fight for survival in an uncertain advertising market pitches them against two stations partly financed by the government and run by RTP (Radiotelevisao Portuguesa), Canal 1 and TV2.

SIC is headed by Mr Francisco Pinto Balsemao, a former prime minister and Portugal's only media magnate. Mr Balsemao, whose publications include Expresso, the country's most respected weekly newspaper, has no doubt about the significance of the launch of private TV. "It's important for the people to be aware of what's going on in the country and the world, and it's important for them to exercise the right of choice, (and) the right to be different, which have not existed until now," he says.

Under the dictatorship which fell in 1974, RTP was part of the regime's propaganda machine. Even after Portugal's return to democracy, the station has been accused of being too close to the government. Mr Jose Eduardo Moniz, RTP's head of news and programmes, says the days of subservience have gone. "We feel we have changed quite a lot in the last six or seven years, and that we have managed to gain the trust of a large part of the population."

Mr Balsemao disagrees. He is convinced that SIC can be more independent and impartial than his state-run rivals, especially when it comes to news.

Surprisingly, his station is taking on RTP's popular Canal 1 with an almost identical prime time programme structure, preceding and following the main evening news with *telenovelas*, the racy Brazilian soap operas that regularly keep the Portuguese glued to their sets.

Advertising analysts warn that this policy of direct confrontation with the state networks contradicts all market rules, but Mr Balsemao is confident. "We had two strategic possibilities: either to accept that we would be a small alternative television aiming at maybe 10 to 15 per cent of the audience, or the one we have chosen," he says.

SIC's remaining programmes, like RTP's, consist of game and chat shows, subtitled feature films, and mainly American sitcoms and series.

> The country's advertising market grew by a sturdy 25 per cent in the first half of 1992, but this is far short of annual growth rates of up to 40 per cent in the second half of the 1980s

Tight finance will also leave SIC with little money to splash out on expensive home-grown productions, especially drama. The government has established tough requirements which all networks will have to meet within three years. Forty per cent of all output must be in Portuguese, three-quarters of which has to be produced in Portugal. RTP, with its Es16bn budget for the current year compared to SIC's projected Es8bn for 1993, will find it considerably easier to meet such targets.

So far, SIC's confrontation strategy has been only partially successful. Its news programmes are tighter, more dynamic, and have a more popular appeal. The titles, inspired by Brazilian designers, are slicker and more colourful than RTP's. But *telenovela* lovers have found that RTP was given first choice of the Brazilian supply, leaving SIC to screen older productions. In fact, Brazil's TV Globo, the main producer of *telenovelas*, looks like the only clear winner so far by selling its products to all three channels.

SIC's capital of Es6bn represents the biggest investment made in Portugal's media industry. Soincom, an investment company controlled by Mr Balsemao, is SIC's largest single shareholder with a 25 per cent stake – the maximum any individual or group is allowed to hold. Foreign participation is limited to 15 per cent, and in SIC's case, this is fully taken up by TV Globo which provided a great deal of technical assistance.

Mr Balsemao hopes to break even by the end of the third year and to capture some 30 per cent of TV advertising within five years. This would leave 50 per cent for RTP's two channels and 20 per cent for TVI. But with its 10m inhabitants, Portugal is a small advertising market. Although its economy is expected to expand at a rate above the European Community average, growth has slowed. Portugal's advertising market grew by a sturdy 25 per cent in the first half of 1992, but this is far short of annual growth rates of up to 40 per cent in the second half of the 1980s.

Television takes about 45 per cent of all advertising in Portugal, but the future is uncertain, and it is hard to predict whether and how advertisers will increase or shift their budgets. "Companies will make some efforts to have a bigger advertising budget," says Mr Carlos Sousa, deputy manager of Universal Media Portugal. "However, I don't think that growth will be very significant".

Mr Sousa admits to no surprise that SIC has captured a satisfactory amount of advertising for the initial period. "Everybody is trying to be there for the first few weeks. Let's wait for the audience figures," he cautions.

Peter Miles

TELECOMMUNICATIONS

Time to catch up

PORTUGAL's first private telecom corporation began operations on October 18 when a Portuguese-US consortium launched a nationwide cellular telephone network. The start-up follows the liberalisation of the telecommunications sector in 1991.

The new company, Telecel-Comunicacoes Pessoais, involving the US company Pactel-Pacific Telephone Systems and two Portuguese partners, will compete with an existing state-owned competitor. Both use advanced GSM-Pan-European Digital Mobile Phone technology.

"Private operators and the entry of private capital into existing companies will help Portugal prepare for the increasing competition the country will confront in international telecommunications sectors," says Mr Joao Manuel de Mello Franco, president of TLP-Telefones de Lisboa e Porto. "Private entrepreneurs will also help increase the flexibility of our companies and improve our management to face future challenges."

TLP is one of three state-owned companies operating public telecommunications services in Portugal. It operates the public network in greater Lisbon and greater Oporto. The area covers 37 per cent of the population, 60 per cent of the nation's purchasing power and 80 per cent of corporate headquarters.

More than half of the country's telephone traffic is generated by TLP customers and a good 20 per cent of customers are corporate. Operations in these two large metropolitan areas make TLP one of Portugal's top business corporations, ranking fourth in terms of gross value added and net assets.

The public network in the rest of the country and for European connections is operated by CTT-Correios e Telecomunicacoes de Portugal, which is shortly to be split into separate postal and telecom services. CPRM-Companhia Portuguesa de Radio Marconi, 51 per cent owned by the state, has a concession to operate intercontinental services via submarine cable and satellite.

To bring these three separate companies together, the Lisbon government has created a holding company, CN-Comunicacoes Nacionais, to manage the entirety of Portugal's telecommunications services as a single conglomerate.

"This will enable us better to co-ordinate company strategy, avoid difficulties over frontier areas and invest all three companies with a solidarity aimed at achieving the same objectives," says Mr Joaquim Ferreira do Amaral, the minister for public works, transport and communications.

More importantly, private capital will be admitted to the three corporations. A limit of 49 per cent will initially be imposed on private participation. But this will gradually be increased.

In its urban centres, Portugal is nearing the average European rate of 40-45 telephones, with 38 telephones for every 100 people

"If we completely privatised the companies very rapidly, only a few international corporations would probably be in a position to mobilise the large sums needed to invest," says Mr Ferreira do Amaral. "By deciding on a gradual process of denationalisation we aim to allow more companies, including Portuguese enterprises, to buy into Portugal's telecommunication services."

Besides privatisation of basic telecommunication services, Portugal is rapidly opening up complementary services to private investors. In addition to the private mobile telephone network, three private companies operating paging services will be launched at the end of 1992, to compete with an existing publicly-owned service.

Many other new value-added services, including audiotext, videotext, electronic mail, electronic data interchange and videoconferencing, are generating strong interest from entrepreneurs and potential consumers.

TLP and other operators are investing heavily in improving the basic telecommunications network in Portugal, partly to facilitate the growth of value-added services. Over the past five years, massive investment, which has been increasing at a rate of 22 per cent a year in real terms, has almost doubled the number of telephones in the country.

From only 19 phones per 100 inhabitants in 1985, Portugal will have 30 by the end of 1992. This compares with a growth rate from 41 to 44 for Europe as a whole. In its urban centres, Portugal is nearing the average European rate of 40-45 telephones, with 38 telephones for every 100 people.

Mr Ferreira do Amaral describes Portugal's unparalleled spending on telecommunications as "a singular moment in our country's history," needed to keep pace with the rapid growth of the Portuguese economy.

Portugal's investment in telecommunications, estimated at Es130bn (£594m) this year alone, is already providing excellent opportunities for international telecom corporations and suppliers. The field for business will open even wider shortly with at least the partial privatisation of three major state-owned telecom operators and the granting of concessions for complementary services.

"No other country in the European Community is investing as much as we are in telecommunications," says Mr Mello Franco. "By the end of 1992 we will have converted 51 per cent of the network to digitalised local switching. The number will reach 75 per cent in three years' time."

Portugal is also increasing its fibre-optic networks to improve services and meet the growing demand from banks and similar corporations for private networks and to prepare for the advent of cable television.

By 1995 a multi-purpose high-capacity fibre-optic link will join Portugal to Madrid, the Spanish capital, and to the rest of the European fibre-optic network. At the same time it will connect the country's 500 biggest cities and towns with each other.

Peter Wise

Villas and flats developed by Trafalgar House Europe on the clifftop at Rocha Brava, near Carvoeiro. The company, which claims to be the biggest UK investor on the Algarve coast, has spent more than £20m in the country on resorts and landholdings. It has stepped up marketing in Europe

Peter Wise sees the infrastructure undergo a revolution

Plenty in the pipeline

SUCH IS the rate of motorway building in Portugal that no map gives an accurate and up-to-date picture of the country's road network. That is the proud boast of Mr Joaquim Ferreira do Amaral, who as minister for public works, transport and communications is the man with responsibility for redesigning the country's infrastructure.

After three decades of neglect and miserly investment, Portugal's infrastructure has been undergoing a revolution in terms of expansion and modernisation since entry to the European Community in 1986. A 15-year programme is now roughly at the halfway mark and massive investments lie ahead.

Private companies, eyeing future opportunities, calculate a total nearing Es3,000bn (£13.5bn) will be invested in improving Portugal's basic infrastructure in the coming years.

The projects abound. Pre-qualifying tenders for a new Es121bn bridge stretching 11km over the Tagus river at Lisbon were sought last month. It will be one of the largest bridges in Europe. The authorities are currently studying road links with the Lisbon inner ring road and north-south motorway.

A contract is being prepared with Sea Core International of the Netherlands for a river-bed geological survey. Barclays de Zoete Wedd will be consulted over project financing. In addition, a rail link will be added to the existing Tagus bridge.

The EC Commission has approved Es18.7bn to finance a natural gas network in Portugal. This will cover around 45 per cent of the estimated total cost through to 1993. The main expenditure will be on a terminal in Setubal and a Setubal-Braga pipeline. The Commission has also approved Es21.8bn to finance regional distribution networks for natural gas.

Caminhos de Ferro Portugueses (CP), the state-owned railway company, will invest Es300bn over the next seven years in an upgrading programme. CP hopes to cut the rail travel time from Lisbon to Oporto to 2 hours 25 minutes, which is more than 45 minutes faster than the equivalent motorway travel time. Portugal has also announced that it will change some of its railway lines to conform to European gauge standards and prepare for a high-speed TGV rail link from Lisbon via Oporto to Madrid.

Over the next four years, state-owned Metropolitano de Lisboa will invest Es120bn in expanding and modernising the underground network into the backbone of the capital's public transport system. Expansion work, planned to be completed by the second half of 1996, will transform the present one-line system into three independent lines. The plan also involves building five new stations and new workshop facilities.

A stretch of Lisbon's waterfront, linking the central Praca de Comercio to the 16th-century Jeronimos Monastery and beyond, will be equipped with ultra-modern, high-speed trams. Existing tracks will be renewed and sub-stations modernised. International tenders will be sought for the investment, which should reanimate and dramatically improve public transport in a central part of the city. The new trams will be running by 1994.

The government considers the modernisation of ports another crucial area for a country whose imports and exports, representing the equivalent of some 60 per cent of gross domestic product, are largely transported by sea.

Development will focus on improving and expanding installations, including the construction of a new Es20bn port zone on the south side of the Tagus estuary at Lisbon and improving port management to increase productivity, reduce costs and provide better services. "Efficient ports in Portugal will provide Europe with another gateway to the world," says Mr Ferreira do Amaral.

The new 11km bridge over the river Tagus at Lisbon will be one of the largest in Europe. Pre-qualifying tenders were invited last month

Legislation reorganising the maritime sector and providing for greater efficiency and improved linkage between shipping, harbours and fishing has been put forward by the Sea Ministry. The aim is to improve resource use, to end the overlapping of different authorities and to decentralise. The new law will merge and place under direct ministerial control all port administrations, the National Harbour Pilot Institute and the National Stevedore Institute.

After completing Portugal's first north-south motorway linking Setubal, Lisbon, Oporto and Braga in 1991, three years ahead of schedule, the government has announced that the length of the national motorway network will be almost doubled by 1996, from 436km to 753km, at a cost of Es260bn.

Further into the future, a decision will be taken on the site of a new Lisbon airport. The government is also set to decide on a long-mooted major dam at Alqueva in the southern Alentejo region. Local officials are lobbying hard for the project, which they say could halt desertification and lessen the impact of drought.

Most of the finance for the massive expansion of Portugal's infrastructure comes from the government budget. EC funds have contributed about 15 per cent of total spending to date. A further key source of finance is private investment.

"Private investment will be the source of infrastructure finance that grows most in the future," says Mr Ferreira do Amaral. "Because they are the ones taking the risk, private entrepreneurs are experts in the analysis of project feasibility. In many cases, private investment gives the guarantee that justifies a project in political terms."

In keeping with this philosophy the new Tagus bridge, the rail link over the existing bridge and many other major projects will be contracted out to private entrepreneurs on a build and operate basis.

FINANCIAL TIMES SURVEY

OIL AND GAS INDUSTRY

SECTION IV

Tuesday November 3 1992

World oil production is more closely aligned to demand than for many years. But there are fears of renewed instability once the UN decides to end its embargo on exports by Iraq. **Neil Buckley** reports

The worst has passed

THE WORLD'S oil and gas companies have been living through difficult times in 1992, but there are signs the outlook may be improving.

More than ever before, the global oil and gas industry is dominated by questions of balance, and a delicate balance is now returning to some key areas.

Oil prices drive the whole industry, and these have generally been firmer and more stable, thanks to a very tight balance between supply and demand, although there was a worrying $1-a-barrel retreat last week.

One of the principal factors that could upset the balance this year is not the actions of the Organisation of Petroleum Exporting Countries, or Middle East politics, but something more mundane: the weather. A colder-than-average winter in the northern hemisphere for the first time in five years could add up to 75 cents to the price of a barrel of oil.

That price is already expected to rise close to $22 a barrel for North Sea Brent crude this winter, and to $20.50 or more for the Opec basket of world crudes – close to the target of $21 a barrel Opec adopted in July 1990.

However, with Opec production now within 1m barrels a day of its estimated total capacity, analysts say any short-term disruption in supply – for example, from the former Soviet Union – could still produce a price spike of up to $25 a barrel.

That fact illustrates the continuing dominance of Opec over the world's oil markets, but the post-Gulf war era has seen signs of change within Opec.

Many believe the organisation is becoming more market-oriented, responding to the changed outlook which sees demand for Opec oil rising in the 1990s, unlike the 1980s when its market shrank. Most members, including Saudi Arabia, are in debt and keen to maximise revenues, and yet they are carefully being nudged by Saudi Arabia into extracting the highest price the market will support, while still ensuring there is enough oil to meet market demand.

There is, however, one black cloud on the horizon that threatens to shatter the delicate balance within Opec and the world oil market: the possible lifting of the United Nations ban on oil exports by Iraq. Opec may find itself in 1993 having to absorb 2.5m b/d or more of Iraqi oil, something bound to provoke disagreement.

While oil prices are still crucial to oil companies, they must pay increasing attention to gas prices, as gas consumption grows across the world.

Here, too there is better news. Balance is returning to the US gas market, and the "gas bubble" which has severely depressed prices is finally thought to be over. Prices dropped from about $2.50 per thousand cubic feet in the early 1980s to $1.63 in 1986, and bottomed out at a mere 90 cents in February this year. They then climbed to a peak of $2.60 in September – buoyed a little by the drop in production caused by Hurricane Andrew.

They have since settled back to about $2.40, but supply and demand are seen as being closely matched for the foreseeable future. The only threat is that if prices climb too high, some users might switch to burning fuel oil.

The higher prices are especially good news for the exploration and production companies without downstream interest who specialise in finding, producing and selling oil or gas. Natural gas stocks were the best performers on the New York Stock Exchange for the six months to September, according to a recent report by First Boston.

Meanwhile, in the UK, the devaluation of sterling in mid-September has helped push the sterling oil price above £12, compared with an average of little more than £10.50 for the first half of the year. Expectations of a continued strengthening of the dollar are prompting analysts to reassess their 1993 earnings forecasts for UK independent oil companies, and some of these have seen their share price rise 30 per cent or more since mid-September.

The outlook for the major integrated companies, whose activities encompass not only exploration and production but refining and marketing and petrochemicals operations, is less bright. Slower economic growth in the Far East, hesitant economic recovery in the US, and continued weak economic activity and recession in parts of Europe are likely to keep refining and chemicals margins under severe pressure.

Such pressures have forced the majors into aggressive cost-cutting, but here, too, they face a question of balance. They must weigh the need to cut costs against the growing necessity of replacing their reserves – something they have consistently failed to do in recent years.

As many of the traditional producing areas such as the North Sea and the Gulf of Mexico reach maturity, and no longer hold out the prospect of giant field discoveries, the quest for reserves is taking oilmen into uncharted and often risky territories, from Laos to Colombia. The oil companies' drive for international expansion has conveniently coincided with the opening up of many traditionally closed areas of the world, and many analysts expect there to be virtually no countries where international oil companies cannot operate by the end of the decade.

The republics of the former Soviet Union, with the world's sixth-largest known reserves of oil and largest reserves of gas, are proving a magnet for oil companies. But, nearly a year after the break-up of the Union, progress is still sluggish. While a number of new joint ventures have been formed with Russia, the biggest deals have been done with Azerbaijan and Kazakhstan, and the smaller republics seem to be proving more fleet-of-foot than the lumbering Russian bear when it comes to attracting Big Oil.

Oil companies must also balance the need for spending on exploration with the investment required to meet ever stricter environmental legislation. The threat of a carbon tax has, for now, receded. But Mr David Simon, chief executive of BP, told September's World Energy Congress in Madrid the estimated cost to oil companies of meeting environmental legislation in the US was between $15bn and $20bn, and in Europe $9.5bn – equivalent to the net annual income worldwide of Europe's top seven oil companies.

Environmental concerns may also alter the global balance between oil and gas consumption.

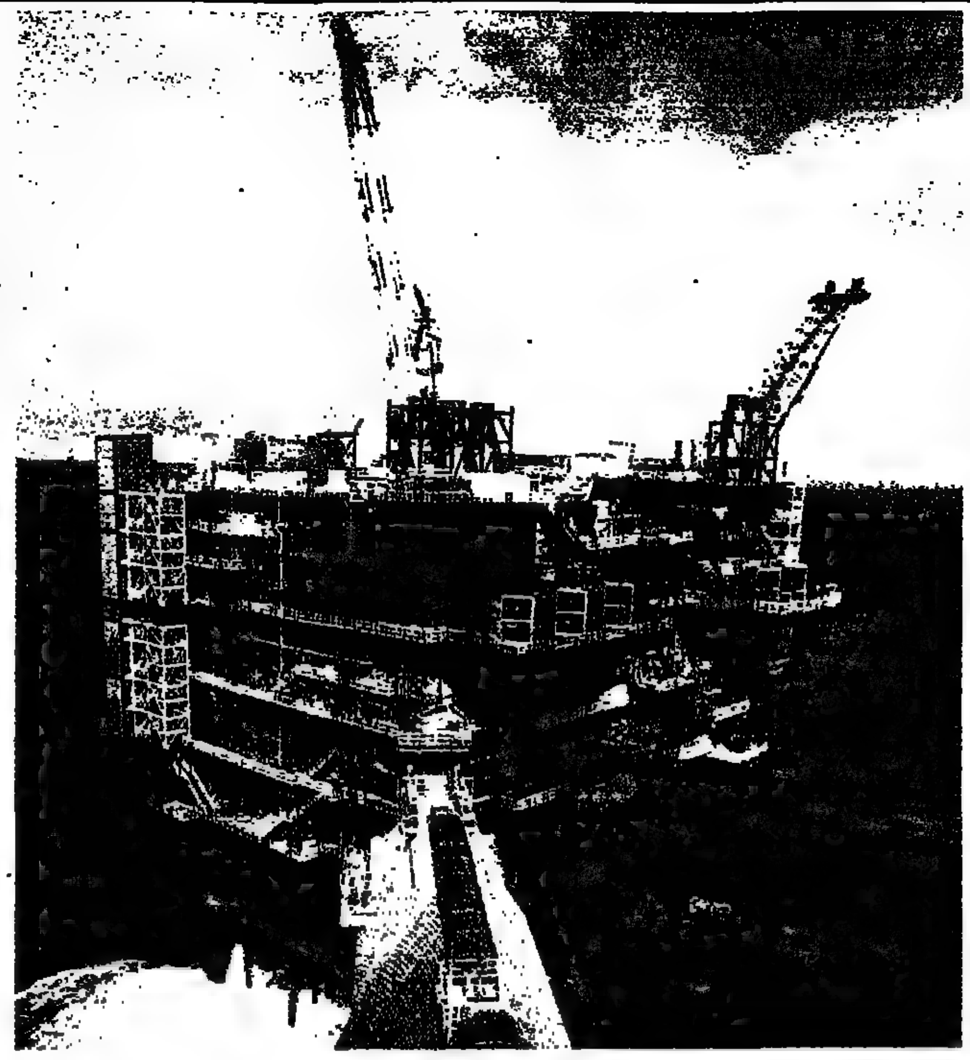
The US energy Bill that finally cleared Congress last month encouraged the use of natural gas as a fuel for motor vehicles and power generation, and gave tax relief to gas drillers. Gas advocates say the US could cut its reliance on foreign oil, its trade deficit, and its emissions to the atmosphere, by switching to a gas-based economy from oil.

On the other side of the Atlantic, the decision last month to close 31 of the UK's remaining 50 coal mines (a decision now being reviewed) was blamed on the "dash for gas" by the privatised electricity generators. The ensuing row has reopened the whole debate about the UK's energy policy.

An important plank of that policy has been privatisation, but there have been numerous difficulties stemming from the fact that British Gas, the former monopoly supplier, was sold in 1986 as a single entity. Attempts to speed up the development of competition have had limited success. A series of rows between British Gas and its regulators, the Office of Fair Trading and the Office of Gas Supply, culminated in the decision in August to refer the whole UK gas market to the Monopolies and Mergers Commission for a wide-ranging investigation. The result could be fundamental changes in the gas industry.

The US began deregulation of its gas market in 1984, but the process is still continuing. What is intended to be the final phase, the Federal Energy Regulation Committee's Order 636, is due to be implemented next year. The Order will finally spell the end of the dominant merchant role of the interstate pipelines, allowing hundreds of suppliers to compete to provide reliable long-term gas services without having to own long-distance pipelines. But analysts predict its implementation could be dogged by uncertainty and controversy.

European countries are unimpressed with the sometimes clumsy attempts by the UK and US to develop a competitive gas market, and powerful monopolies in many countries will resist any attempts to make similar changes. While the UK said it would use its presidency of the European Community to push for a single energy market, this has been overtaken by a fundamental debate about the future of the Community.



Although oil prices had been firmer, they retreated in the past week. Above: a Total Oil North Sea platform

IN THIS SURVEY

Neil Buckley on how a weakened Opec is responding to the New World Order

Cartel at the cross-roads

GONE ARE the days when the Organisation of Petroleum Exporting Countries could hold the world's oil market to ransom. But it still plays a dominant role.

The immediate $1 rise in world oil prices after Opec's May meeting decided to roll over its second quarter output ceiling provided ample demonstration of that. Some observers suggested this was a small piece of sabre-rattling ahead of June's Earth Summit in Rio, to show Opec's opposition to plans for a carbon tax.

However, the cartel still has an unenviable capacity for internal disputes and for failing to do what it set out to do.

What had been expected to be an easy meeting of its ministerial monitoring committee in Geneva in September ended with the second-largest producer, Iran, publicly dissenting from the agreement that Opec's market share in the fourth quarter of 1992 should be 24.2m b/d, excluding any increase in production by Kuwait. Meanwhile, its second-smallest producer, Ecuador, announced it was pulling out of full membership of the organisation and returning to associate membership status.

The disagreements confused the oil market and helped to lessen the meeting's upward pressure on oil prices.

Opinions differ about what may happen at Opec's next meeting on November 25. Some believe Iran will press hard for the meeting to address what is potentially the thorniest issue: how the cartel will handle the eventual return of Iraq to the oil export market.

United Nations sanctions banned Iraq from exporting oil after its invasion of Kuwait in 1990. Since then, many of Opec's members have been pumping at close to capacity, while its biggest members have increased their output to make up for the shortfall in supply.

Opec has an unenviable capacity for internal disputes and failing to implement its decisions

Saudi Arabia has been the principal beneficiary, raising its output from 4.9m barrels a day in 1989, to close to 8.4m b/d in recent months, an increased market share it will be loath to relinquish.

Iran, by contrast, has only raised its output from 2.8m b/d to 3.5m b/d. The republic has made repeated statements about the increase in its production capacity, which it says is already 3.8m b/d and will reach 4.5m b/d next year.

It may also press for Opec to adopt some kind of general principle in November on how it will respond to the return of Iraq. Mr Joe Stanislaw, managing director of Cambridge Energy Research Associates, believes that while the November meeting may discuss Iraq, it is highly unlikely to agree anything.

"Why rock the boat? There is no need to deal with the issue until it actually hits them."

In the absence of public agreements or disputes about Iraq, November's meeting is expected to have little impact on oil prices. Most analysts expect it to adopt a similar agreement to that reached in September, referring not to an "output ceiling" but instead to a projected "market share" for the first quarter of 1993, likely to be unchanged from the last meeting, or to show a modest rise to between 24.5m and 24.8m b/d.

This would reflect the reality of how Opec now operates. Mr Stanislaw says the September meeting established that Opec has adopted a market-oriented approach, which is based on a rising market for Opec oil, unlike the situation in the 1980s when Opec's market shrank.

While the numbers Opec announced at the end of its meetings were once output ceilings, they have in effect become production floors, below which output will not drop, but with the tacit agreement that output may increase to meet market demand.

Analysts point out that most Opec members are in debt and are keen to maximise revenues. However, many believe it is the biggest producer, Saudi Arabia, that is really driving Opec's policy.

Mr Hisham Nazer, Saudi oil minister, told journalists in September he would not talk about the kingdom's production plans but stressed these were part of a careful, long-term strategy. Analysts believe this strategy is to maintain its share of Opec production, and ensure there is enough oil to meet demand, and avoid price spikes that would damage the world economy or risk lowering oil's share of the energy market by prompting consumers to switch to cheaper fuels.

Within these constraints, however, Saudi Arabia is happy to get whatever price it can for oil. It wants to provide, in the words of Mr Stanislaw, "enough oil to satisfy demand but not so much that it prohibits its producers from gaining that extra dollar or two that consumers do not seem to mind paying".

This would explain Saudi Arabia's behaviour at Opec's May meeting when it failed to make its expected call for a 1m b/d increase in the output ceiling – a move which boosted oil prices and prompted some observers to talk of a "policy change" marking the kingdom's transformation into a price hawk.

Mr Nazer warned in September against becoming obsessed with the $21 a barrel objective for the Opec basket of crudes – adopted in July 1990 – saying this was a "reference" price, not a "target". However, he seems happy for the price to move towards $21 provided this is supported by fundamentals. Indeed, if reports are true that Mr Nazer rejected demands from Mr Gholamreza Aghazadeh, the Iranian oil minister, for a cut in Opec output, because he thought this was not necessary to push prices towards $21, recent analysts' forecasts suggest he may have been right.

In the disagreement between Saudi Arabia and Iran, however, may lie the seeds of a wider split concerning Opec's role.

Gentle pressure: (left to right) Texaco's James Kinnear helps Saudi oil minister Hisham Nazer and Kuwait's Dr Hammoud al-Roqaba to re-start oil production in the Neutral Zone for the first time since the Gulf War

If Saudi Arabia sees it essentially as a kind of market regulator, it is clear from Iran's accusations after the meeting that other other countries were "not serious" about pushing up prices – and the likely departure of Ecuador – that other, poorer members, see things differently. For them, Opec is a cartel whose job is to manipulate production to achieve a certain price.

Ecuador's ostensible reason for leaving is that it is unhappy with its quota and wants to increase oil revenues to help pay off its $13bn foreign debt. It may also be wondering if its hopes for economic improvement would be better served by other organisations such as the International Monetary Fund, where not being an Opec member could strengthen its negotiating position.

The danger for Opec is the "domino effect": other smaller – and even larger – members starting to question the benefits of membership. But it could perhaps withstand losing some members.

"The only people that really matter in Opec are the big producers. It has been an organisation of six members and not 13 for some time now," says Mr Vahan Zanoyan of the Petroleum Finance Company, a Washington research and advisory group.

But some analysts argue that the smaller members play an important role in building consensus and support for different points of view, and diluting the impact of personal differences.

There may, however, be countries willing to replace any that leave. The former Soviet republic of Azerbaijan has already expressed interest in joining, and there is speculation that Kazakhstan, or even Russia, might follow suit, offering an intriguing vision of how Opec may respond to the New World Order.

■ EUROPEAN SINGLE MARKET

Diluting the monopolies

LIBERALISATION of the European Community gas market was regarded as one of the most difficult obstacles to a true single market when the British took over the presidency of the EC in July.

Indeed, faced with the joint opposition of energy producers and government in most member states, Mr Antonio Cardoso e Cunha, EC energy commissioner, and Sir Leon Brittan, responsible for competition, had already watered down their parallel proposals for the gas and electricity markets since last year.

The directives, published in January, aim to open the gas and electricity networks to greater competition from the start of next year, allowing large energy users to buy from suppliers anywhere in the Community, and, if successful, extending the principle to smaller users on January 1, 1996.

Ministerial discussions since then have produced tentative support for the ending of monopoly rights over the construction of gas networks, and the "unbundling" of integrated energy companies' accounts to improve transparency.

But debate has always stalled on the ultimate aims of the Commission proposals – the concept of "third party access" to gas networks. Britain, arch-privatiser of the 1980s and champion of free trade, was thought the ideal presidency to push ahead with liberalisation. But Commission hopes that discussion might be finished by the end of this year look wildly optimistic.

On top of the controversial nature of the proposals, the political climate has changed. The Danish vote against the Maastricht treaty, and the very narrow French vote in favour have made the Commission wary of treading too hard on member states' toes. As a result, individual states, sensing they have the upper hand, are even more reluctant to relax their opposition.

"There are clearly problems and we will be reporting these to the council [of energy ministers]," says one British official, somewhat ruefully. When those ministers meet on November 30, Britain will attempt to soften them up with a quiet discussion of the main difficulties which have arisen among national officials.

Security of supply will be one area under discussion – opponents of the plans believe it would be severely jeopardised by the introduction of third party access to gas networks. Another area of concern is the protection of small gas consumers: critics say the main benefits of the Commission proposals would accrue to the large customers. Those which use more than 25m cubic metres of gas a year – such as steel and aluminium plants, large construction sites, chemical, glass and fertiliser factories – are the only ones to qualify for third party access under the first phase of the Brussels plan.

If there is a glimmer of hope for energy liberals, it comes from Sir Leon Brittan, who still seems prepared to use autonomous powers to punish member states which transgress strict EC treaty rules on competition. Last month, for example, he threatened court action against member states which had not adapted their legislation on exclusive gas export/import rights to EC law.

Opponents of Brussels' plans, by contrast, hope that changes in the composition of the Commission in the New Year may reduce the pressure for liberalisation. Sir Leon, although he is certain to stay in Brussels, may change portfolios, giving up competition to a less forceful colleague. Mr Cardoso e Cunha – who took up the liberalisation crusade almost as soon as he started the energy job in 1986 – is leaving the Commission.

"There is a chance of starting off on a better footing with a new commissioner who would be less committed to a particular policy," Mr Peter Claus, secretary general of Eurogas, the natural gas industry's lobby group, points out.

If the main trophy of energy liberalisation looks like remaining unclaimed at the end of the British presidency, then the UK is still hoping for a consolation prize. Officials believe ministers may be able to agree on Commission plans

Talk of open access to gas networks proved wildly over-optimistic

which would guarantee free and open competition between companies applying for oil and gas exploration and drilling licences in the EC.

The directive, published in March, is the first aimed directly at ensuring the oil producers enjoy the benefits of the single European market from January 1, 1993.

Some member states still restrict the rights of natural resources companies to drill for oil and gas. The Commission's proposals would not force national governments to accept the lowest bid for exploration and drilling contracts, and member states could still restrict licensing on the grounds of national security, or to prevent depletion of natural resources. But other discrimination, most notably on the grounds of nationality, would have to be eliminated.

Britain hopes ministers may reach a "common position" in favour of the plans at their November meeting.

The EC industry's main worry is that the new directive might be used to cancel out long-term contracts which are already running. "If you go forward from [the end of the existing contract] with new legislation, then that's fine – but don't tear up old agreements," says one industry source.

More worrying for the Commission is the possibility that Norway may challenge the plan next year, through the medium of the European economic agreement (EEA) – the free-trade area which comes into being on January 1.

Norway wants to continue to give state-owned Statoil 50 per cent of every licence it grants. "That's clearly discriminatory and will never be acceptable," says a British official. But if Norway can muster the support of its partners in the European Free Trade Association (Efta) it could block the Community legislation.

Deborah Hargreaves on how exploration has changed

To strange horizons

On sea as well as land: an oilman on a rig in Brazil's Garoupa Field

THE world's biggest oil and gas companies are turning to ever more exotic parts of the globe to look for new supplies. This so-called frontier strategy is taking companies such as British Petroleum into the Colombian jungles and British Gas into the former republics of the Soviet Union.

Frontier exploration is devoted to extending the limits of known energy reserves but carries a risk much higher than companies face in their more traditional areas of influence such as the North Sea and North America.

Some of this exploration is conducted in extremely hostile environments where the oil majors face many environmental drawbacks as well as possible disruption to drilling programmes by guerrilla action. In addition host governments are often unstable and could turn hostile at very short notice.

The fact that many companies are prepared to run these huge risks is evidence of their often desperate search for new oil reserves.

Most big discoveries are thought to have been found in the North Sea and, while there still remains a lot of oil and gas to drill, production profiles are expected to tail off towards the end of the decade. At the same time, the environmental lobby has closed much of North America for oil exploration and raised the cost for companies still operating there. Mr Robin West who advises companies on their frontier strategy at Petroleum Finance Company, the Washington-based consulting group, points out that most traditional oil majors have done a poor job of replacing their reserves of energy. British Petroleum, for example, saw the level of its proven oil reserves drop by four per cent last year, since the company has much of its production concentrated in the mature oilfields of the North Sea and Alaska. "Companies are now being forced to turn from quick pay-out, low-risk investment in the North Sea and North America to riskier prospects," Mr West explains.

The drive for oil companies to replace their reserves with new discoveries has occurred at a time of rapid political change across the globe which has seen the opening up of many countries where governments were previously hostile to western oil companies.

These countries – from Vietnam and Russia to Laos and Yemen – are looking to exploit mineral resources to expand hard currency earnings.

They look to the oil and gas majors for valuable investment in infrastructure and development in return for drilling rights on tracts of potential oil-bearing land.

Nowhere is the rush to explore more evident than in the former Soviet Union. In spite of the difficulties of negotiating with changing political regimes and large scale bureaucracy, most western companies are hoping to secure at least some acreage or production-sharing deals.

British Gas recently landed exclusive rights to negotiate for the development of a huge field in Kazakhstan which is the first stage before agreeing a contract. But negotiations can drag on for months or even years and many companies have become embroiled in discussing technicalities. Mr Kenneth Derr, chairman of Chevron, the US oil major, was negotiating with Kazakhstan for over four years, but he explained the company's persistence in terms of the significance of the field in which he was interested. "It is unique in size and could have a meaningful impact on a company of our size for a very long time."

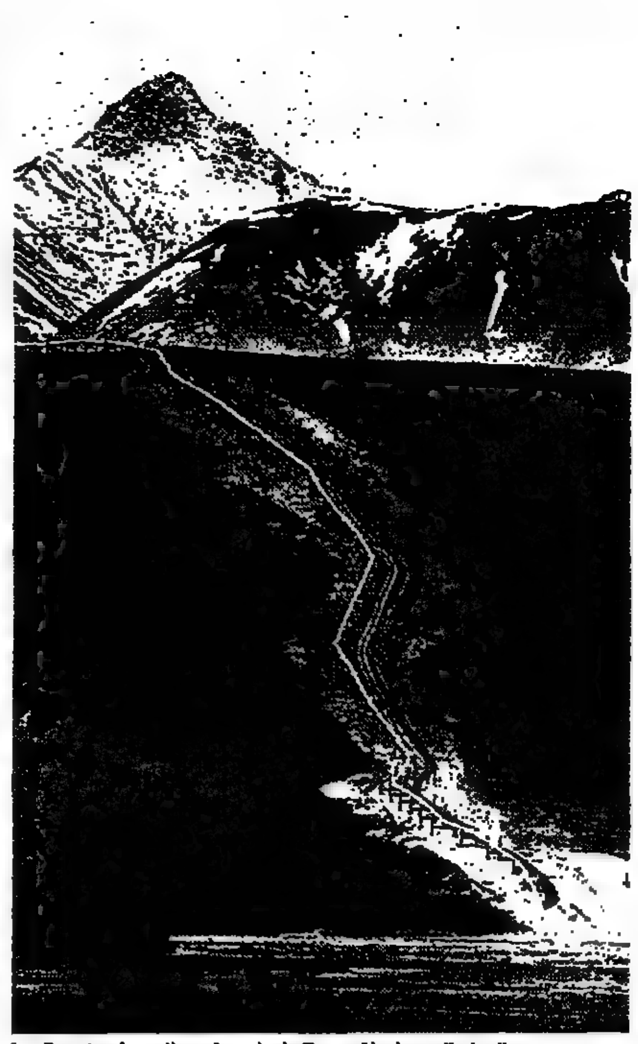
The republics of the former Soviet Union provide a safer bet for companies looking to frontier exploration since, in spite of production difficulties, they collectively remain the world's largest producer of oil with vast proven grossly under-exploited reserves.

Companies searching for oil in Vietnam, Laos and Colombia are running a greater risk of ending up with dry holes. Clyde Petroleum, a small UK exploration company, was forced to write off its $8m investment in offshore Vietnam when it discovered a large reservoir of carbon dioxide last year instead of the natural gas reserves it was hoping for.

Companies must collect extremely expensive high-tech data on the country's geology before deciding where to drill which is, in the end, a subjective decision. Oil exploration is a notoriously hit-and-miss affair even in the best researched locations.

Much of the impetus for frontier exploration came after the Gulf war early last year when many oil producing nations began to talk of a dialogue, if not partnership, with consumers. Most nations in the Organisation of Petroleum Exporting Countries (Opec) are in need of capital to complete capacity expansion plans, but many are short of hard currency.

Dr Subroto, secretary general of the organisation, estimates that its 13 members need roughly $25bn in capital over the next decade to finish expansion programmes.



In all sorts of weather: America's Trans Alaskan oil pipeline

Companies are turning to ever more exotic regions in their hunt for new deposits of oil and gas

These capital requirements have seen Opec nations actively courting western oil companies to form partnerships that would have been unthinkable a decade ago.

Industry analysts call this a "new bargain" between countries and companies. Mr Dan Yergin, who heads Cambridge Energy Research Associates, an oil consulting group and the author of *The Prize*, a best-selling history of the oil industry, said: "It is the antithesis of what we saw in the 1970s when a wave of nationalism across the world led to many of these companies being thrown out of countries they were operating in."

Iran, which expelled western oil companies after the revolution in 1979, is now eager to entice them back. Tehran has even hosted conferences on producer-consumer dialogue in an effort to court wary western companies.

Countries are competing for scarce cash amid global credit shortages which means they are often prepared to offer western companies extremely favourable deals in order to attract their investment and sophisticated technology. For the few companies that strike lucky in frontier exploration, the high stakes can offer rich rewards.

Companies are hoping for an "elephant" – a discovery of 1bn barrels or more – which will ensure earnings growth for at least a decade.

British Petroleum's oil find in the foothills of the Colombian mountains is rumoured to contain more than 1bn barrels. Although the company has played down the significance of its discovery, it badly needs a boost to its reserves and, among the majors, has pioneered the risky frontier strategy.

The company is painfully aware of the fact that the successful energy companies in the 1990s will be the ones that strike lucky in the jungles of Laos and Vietnam or strike favourable deals in the former Soviet Union.

The stakes have been raised once more in the risky oil exploration business.

Neil Buckley assesses prospects for a surge in world prices

All eyes on Jack Frost

DON'T be surprised if oilmen become obsessed with weather forecasts this winter, or suddenly start talking about Mount Pinatubo.

Of all the factors influencing oil price movements over the next few months, weather could be the most important. The markets and oil companies alike are hoping for a colder-than-normal winter for the first time in five years.

Their hopes were buoyed last month by predictions from a senior forecaster at the US National Weather Service that October to December temperatures were likely to be colder than normal over much of the mid-west and north-east of the US. Scientists also say atmospheric dust from last year's eruption of Mount Pinatubo in the Philippines gave many parts of Canada east of the Rockies their wettest and coolest summer in a century, and could make the North American winter particularly cold.

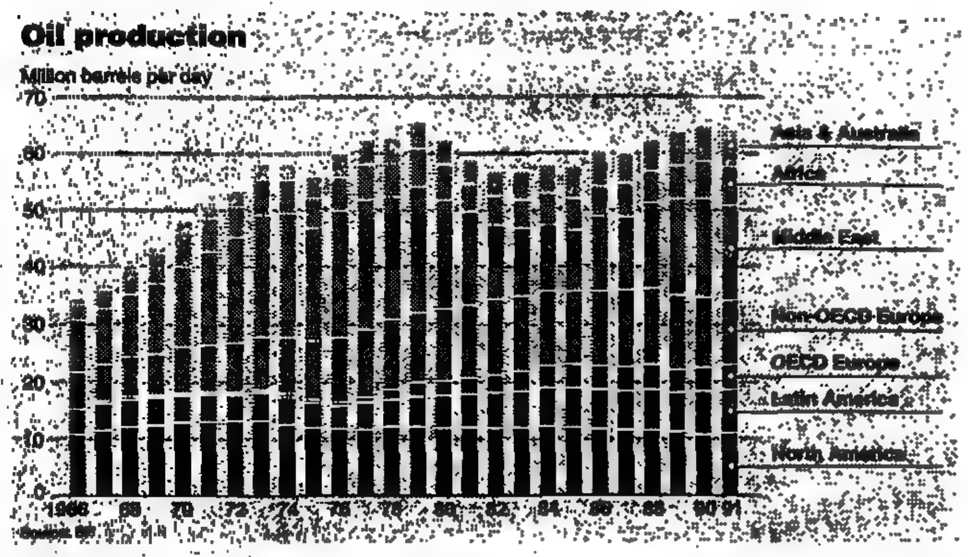
Cold weather across the northern hemisphere could push up underlying demand for crude oil by 0.8m barrels a day – sufficient to make a significant difference to prices. It would also bring about a large draw on oil stocks which are already at a four-year low, helping to push prices up in the first quarter of next year.

Mild weather, on the other hand, could see prices weakening towards the end of the fourth quarter, and, with less of a draw on stocks, first-quarter prices next year would continue to be weaker.

Given average weather, the fundamentals for oil prices look relatively strong. Moreover, in spite of continuing tensions in the Middle East, many observers believe 1993 could see more price stability than in recent years.

The Organisation of Petroleum Exporting Countries agreed at its September meeting in Geneva that its market share for the fourth quarter should be 24.2m b/d, with Kuwait allowed to continue to increase its output as it rebuilt its oil industry after the Gulf war. This would imply total Opec production rising to about 24.5m b/d.

Oil production



However, true Opec output in September is already estimated to have been higher than that – at around 24.7m b/d – and forecasts of average output over the fourth quarter range from around 24.7m b/d to a maximum of 25.1m b/d. Despite this, analysts generally agree that Opec output will be closely balanced by the actual call on its oil, producing a tight market.

Cambridge Energy Research Associates, the international consulting group, sees average Opec production at 24.8m b/d in the fourth quarter, with underlying demand between 24.6m and 24.8m b/d. This is based on estimated world demand of 68.6m b/d and a draw on world stocks of 1m b/d. Kleinwort Benson, the London brokers, projects Opec production at 25.1m b/d, but says this will be matched by demand, with a draw on stocks of only 600,000 b/d, and world demand at 68.3m b/d.

The outlook for oil prices is therefore positive. Mr Mehdi Varzi of Kleinwort Benson is sticking to his forecast of Brent crude prices reaching a peak of $22 a barrel this winter, and averaging $20 for the whole of 1992.

Mr Joe Stanislaw, managing director of CERA, broadly agrees, basing his forecasts on the Opec basket of crude prices – nowadays just over $1 a barrel cheaper than Brent crude. While the Opec basket averaged only $18.69 a barrel up to October, Mr Stanislaw sees it climbing towards Opec's target of $21, averaging $20.50 over the fourth quarter. For the year, this would lift the average price of the Opec basket to $19.10.

A sudden fall in Russian output could cause a spike in prices; but the most important long-term factor is economic growth, particularly the rate of recovery in North America and Europe

A cold winter could add 75 cents to the price, he adds.

There are, however, other factors apart from the weather which could boost prices.

One is what CERA calls the "capacity factor". Most estimates put Opec production at only about 1m b/d less than its total capacity. Some of the difference is accounted for by heavy, sour oil which is not very attractive to the market, so the real leeway is very small.

This makes the markets nervous, and some observers believe any short-term supply disruption – for example, a sudden cut in exports from the former Soviet Union as recently happened with natural gas – could produce a price spike of up to $25 a barrel.

In the longer term, the most important factor is economic growth – and particularly the rate of economic recovery in North America and Europe. CERA forecasts world economic growth in 1993 of 1.5 per cent, only a slight improvement on this year's 1 per cent.

However, outside the the Organisation of Economic Cooperation and Development countries, as well as eastern Europe and the former Soviet Union, oil demand growth continues to outstrip growth in gross national product. Overall, CERA expects average world oil demand to grow by about 0.5m b/d next year – as it did this year – to about 67.7m b/d.

"One thing we have learned is that oil demand continues to grow in spite of any recession in the developed countries," says Mr Varzi.

Moreover, production by the former Soviet Union is likely to continue to fall, from an average of about 9.1m b/d this year, possibly as low as 8m b/d in 1993, allowing some room for increased production by Opec and elsewhere to be absorbed.

The second important factor influencing oil prices in 1993 is whether Iraq is permitted to begin exporting oil again. This poses potentially the most serious threat to the delicate balance within Opec and in the world oil market.

Some observers have suggested that if Mr Bill Clinton is elected US president, he might adopt a less combative stance towards Iraq than President Bush, which could speed up Iraq's return to the market. Recent reports from Iraq that Saddam Hussein's power may be weakening have produced speculation that Iraq could return sooner rather than later.

The 12 other members of Opec have said that room will be made for Iraq in the oil market when it comes back, calling for adjustments in each member country's production. This could provoke a bitter row.

Iraq's re-entry would probably be most difficult in the second quarter of next year when oil demand is traditionally low. If it did not come back until later, when there is greater seasonal demand for Opec oil, and an improving economy and cold winter weather might further boost demand, there is still a possibility that Iraq could be absorbed without too much turmoil.

There are other views, however. "I have a slightly perverse theory that Opec might actually find it easier to absorb Iraq in the second quarter, when the need to cut back on production to make room for it is most obvious," says Mr Stanislaw.

"Opec performs best, relatively speaking, in a crisis."

Britain's offshore activity has passed its peak, says **Neil Buckley**

North Sea mid-life crisis

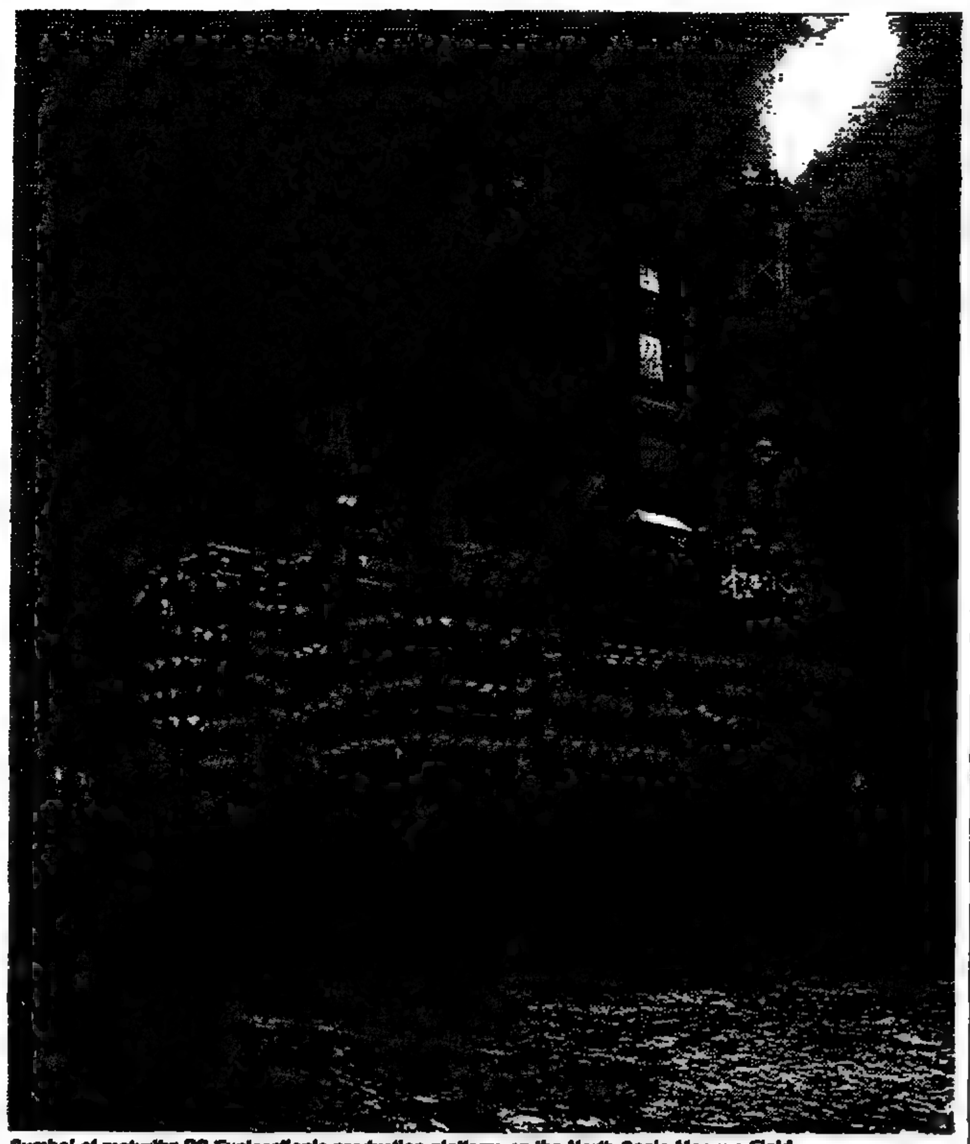
SOME say the North Sea oil industry is suffering a mid-life crisis from which it will soon recover; others that it has begun a terminal decline.

The signals are, admittedly, confusing. Events such as the lay-off of 1,300 workers at McDermott Scotland's construction yard near Inverness have hit the headlines, along with warnings of further redundancies amid gloomy forecasts of workloads for UK yards over the next two years. MPs and some oil companies have called, unsuccessfully, for a change in the North Sea tax regime to bring forward new developments.

Mr David Bramley of consultants Arthur D Little says the likely lack of interest in this year's 14th UK licensing round could be something of a watershed in the evolution of the North Sea, marking its transition into a mature and ultimately declining production area.

On a more positive note, two surveys in August forecast a bright future. Grampian Region Council's Update of Oil and Gas Prospects said the North Sea would see substantial activity and production for at least 25 years, even though overall levels of employment might fall. More than 90 new fields were likely to be developed in that time, 16 in the next two and a half years.

Arthur Anderson Petroleum Services predicted capital spending in the North Sea in the next three years would be almost £18bn, 55 per cent more than in the previous three years. Oil production was predicted to reach another peak of between 2.5m and 2.8m barrels a day by 1995.



Symbol of maturity: BP Exploration's production platform on the North Sea's Magnus Field

Gas production was seen rising steadily from 5.1bn cubic feet a day to 9.2bn cubic feet a day by the end of the century, when it would account for 45 per cent of offshore output.

An earlier survey by County NatWest WoodMac identified 57 probable developments already on the books, with recoverable reserves of 2.3bn barrels of oil and 14,300bn cubic feet of gas.

Oil companies, too, claim to be positive about the North Sea. Mr Chris Gibson-Smith, chief executive, Europe, of BP Exploration, told a Financial Times conference on the future of the North Sea earlier this year that he believed it would have "at least two decades more of active life". The majors stress that it will continue to be a mainstay of their programme despite their moves into frontier areas.

They say the North Sea is a known quantity, with a stable political situation and a tax regime that has been relatively supportive of new developments and of exploration investment. It also benefits from a highly-developed infrastructure.

These advantages contrast with the political risks, the lack of infrastructure, and the local hazards – ranging from bandits in Colombia to unexploded mines in Vietnam – they confront in frontier regions.

But there is no doubt the nature of the North Sea is changing. While most industry experts believe there are at least 10bn barrels of oil yet to be discovered, the average size of new field discoveries has declined dramatically from the 2bn-barrel giants of the early 1970s to 50m barrels or less today.

"It is the same for all exploration provinces in the world,"

The size of new finds has collapsed from the 2bn barrel giants of the early 1970s to 50m barrels or less today

says Mr Harold Hughes, director-general of the UK Offshore Operators Association. "You find the big ones first, but then you are down to the needle in a haystack variety."

In a climate of low oil prices, many new fields are on the fringes of economic viability. To develop them will call for important changes in oil companies' working methods to cut costs – which have increased considerably in recent years – from the exploration stage right through to production.

This may explain the slight uncertainty that hangs over the industry. Mr Gibson-Smith said he thought the oil industry had "not yet completed the process of adjustment to marginal economics and sector maturity. Much of the recent activity has been a function of earlier expectations and decisions."

Operators are, however, starting to adapt.

They are already making use of recent advances in technology that should make development of presently marginal fields possible in the future.

At the exploration stage, this means increasing use of three-dimensional seismic surveys to produce more accurate geological models of oil and gas structures than has ever been possible before and increase the effectiveness of both appraisal and development drilling.

More precise information also aids the effective use of another technological development: horizontal drilling. A single horizontal well can be many times as effective as a traditional vertical well, and in itself can make the difference between a field being economic or uneconomic to develop.

There are other ways in which field developments will change. The days of giant platforms with 200-strong crews – and of several manned platforms exploiting the same field – are numbered.

Shell/Esso's Gannet field development, 112 miles east of Aberdeen, is a good example. Three subsea satellites, instead of the three separate platforms originally envisaged, are tied back to a single large deck capable of processing 50,000 barrels of oil and 180m cubic feet of gas a day but with an operational crew of only 20 people.

Shell is also de-manning all but three of its 17 platforms in the southern gas basin. On the Leman field, the North Sea's first producing gas field launched in 1967, the number of crew living offshore will be halved by 1996, with gas processing moved from satellite platforms to central compression complexes.

Mr Chris Fay, managing director of Shell Expro, has said such changes in practice meant Shell was likely to cut about 4,700 offshore and onshore jobs by the end of the decade.

In addition to subsea satellites and unmanned platforms, the industry is expected to make more use of floating production facilities. Amerada Hess has led the way with its Angus development, a field of less than 10m barrels being exploited through the Petrojarl, a specially-modified floating production, storage and offloading vessel.

Mr Sam Laidlaw has a vision of floating production vessels criss-crossing the North Sea by the end of the decade, being reused on different fields.

Independents Kerr McGee, Clyde, Santa Fe and Aran recently purchased the ship-shaped Tentech floating production vessel with which they hope to develop the 100m-barrel Gryphon field in under a year. Many independents believe the changing nature of the North Sea makes it less attractive to the majors, while they can benefit by taking more flexible and innovative approaches.

At the same time, however, the era of custom-designed platforms – which, industry insiders admit, were sometimes over-designed – is coming to an end. More standardisation and streamlining of platforms and equipment will be necessary to cut costs.

Working practices and inter-company attitudes will also have to change to bring costs down, analysts say. In what could prove a model agreement, eight companies with interests in six adjacent blocks in the Clair area – Amoco, BP, Chevron, Conoco, Elf, Enterprise, Esso, and Mobil – agreed last year to drill appraisal wells and carry out future work on a joint basis.

Mr Bramley of Arthur D Little says companies are becoming more willing to talk to one another and share information, and have been cooperating in benchmarking exercises to compare their costs.

However, despite the overall decline in field sizes, some believe the days of the giant discoveries may not be entirely over. There is still the possibility, says Mr Sam Laidlaw, of "looking for a needle in a haystack and finding the farmer's daughter".

Algiers harbour: the international oil industry is taking advantage of the country's improved terms for gas exploration

Only politics mars Algeria's attractions, says **Francis Ghilès**

Desert gas for electricity

THE decision of Italy's state electricity company, ENEL, to sign a 20 year contract with Algeria's oil and gas monopoly, Sonatrach, reinforces Italy's position as Algeria's principal overseas market for gas.

The deal, for delivery of 4bn cubic metres of gas a year starting in 1995, also marks out Italy as the most exciting market for Algerian gas, especially as supplying gas for power stations demands more flexibility from the supplier than other types of contracts.

The latest contract confirms the shift in attitude of Sonatrach, a company which has, since 1988, increasingly come to recognise the mutual benefit to be gained from working together with international oil and gas companies and sharing the benefits of their combined resources.

The rush of oil companies signing exploration deals with Sonatrach continues. So high is the chance of any company finding gas rather than oil that it was only earlier this year, when exploration terms for gas were improved to an acceptable level, that major oil companies decided the risk was worth taking.

The new hydrocarbons law passed last December was the personal achievement of Mr Nordine Ait Laoussine, the former Minister of Energy, who left the government after the assassination of President Mohamed Boudiaf last June. The policies he promoted have, however, been strongly endorsed by the new minister, Mr Hasen Mefti, and the Prime Minister, Mr Belaid Abdesslem.

From 1965 to 1977 Mr Abdesslem was the architect of Algeria's energy policy. Since the new law was passed, Sonatrach has signed exploration agreements with Occidental Petroleum, Total, Arco, Mobil, Phillips Petroleum and BP and

Italy is the top market for Algerian gas thanks to the orders for Italian power stations

an important service contract with Halliburton. These come on top of contracts with Total, Cepsa, Agip and Repsol.

Apart from the political factor, nearly everything else in Algeria is attractive. The political uncertainty comes from the continuing violence between Islamic fundamentalists groups and the security forces following the cancelling of Algeria's first multiparty elections last January. These events have not affected the guarantees the US, Japan and France are prepared to give for exim-type loans whose proceeds are earmarked for the revamping and extension of the country's existing gas liquefying capacity. Nearly $1bn worth of loans to this effect have been signed this month.

Conditions have changed on two fronts simultaneously. First, Algerian terms for exploration have become more rewarding for gas. Companies searching for oil and finding gas now have a realistic chance of getting a return on their exploration investment. As a result some companies might be willing specifically to look for gas.

Another dimension of the new law is that it creates investment opportunities for foreign companies able to enhance production from Algeria's existing oil and gas fields. Rates of recovery had fallen below 20 per cent because Sonatrach lacked the same degree of international experience gained by global operators. Like many countries in the 1970s and the early 1980s, Algeria's drive to assert its own sovereignty over all oil and gas production excluded it from the advanced technology that less closed third world countries such as Indonesia were able to enjoy.

Meanwhile, external demand for Algerian gas has grown beyond Sonatrach's current ability to supply it. Sonatrach is also lucky in another respect. As James Ball, director of *Gas Matters* points out, in a world where greenfield liquefied natural gas projects cost $4bn for a couple of trains of LNG able to produce 5bn cubic metres of gas a year, the prospect of increasing capacity by 10bn cubic metres a year for half this outlay must be as frightening to competitors as it is comforting to customers.

ALGERIAN GAS EXPORT COMMITMENTS AND POSSIBILITIES
(billion cubic metres per annum)

BUYER	LNG Now firm	LNG possible 1995	PIPELINE firm 1995	PIPELINE possible 1997
Gaz de France	10.3	10.3		
Enagas	3.6	2.8		6-7
Distrigaz (Belgium)	4.5	4.5		
Distrigas (US)	1.25	1.3		
Trunkline (US)	1.0	nil		
Shell Cove Point (US)*	2.4	nil		
Botas (Turkey)	2.0	3-4		
DEPA (Greece)	0.7	0.7		
Portugal		1.8		
Italy (SNAM)		1.4-3	25.25	25.25
Italy (ENEL)		1.0	4.0	4-6
Northern Europe		4.0		
Slovenia			0.6	1.0
Tunisia			0.7	1.0
Morocco				1.0
Others		2.0		
TOTAL	25.38	24.9-43.5	30.55	38.25-41.25

* Subject to discussions between Shell and Columbia Gas System

SOURCE: GAS MATTERS

Through the renovation and upgrading project being carried out by the same three companies that built the LNG plants in the late 1960s and 1970s, M. W. Kellogg and Bechtel of the US and Sofregas of France will increase capacity at LNG plants in Arzew and Skikda from 19bn cubic metres to 22bn cubic metres.

Meanwhile, the capacity of the nine year-old trans-Mediterranean pipeline which brings gas to Italy through Tunisia and the Straits of Sicily is being increased from 16bn to 24bn cubic metres. Two or three extra pumping stations in Algeria could boost that figure further. Exports to Spain are to increase and the first supplies are to reach Morocco.

Spain, a long established buyer of Algerian LNG, committed itself earlier this spring to continuing its imports at the current level once the gas pipeline scheduled to run through Morocco and under the Straits of Gibraltar is completed. It is to supply Spain with 6bn-7bn cubic metres a year from 1997. The dramatic rise in Spain's gas requirement is largely driven by a policy decision to freeze the nuclear programme in favour of gas fired power. A further 1bn cubic metres will be bought by Morocco.

Agreements have already been signed to supply LNG to Turkey and Greece, while newcomers such as Portugal and Germany have expressed interest in buying Algerian gas. The collapse of the US market for LNG, the latest possible victim being a 2.4bn cubic metres contract Sonatrach had signed with Shell US, will free some extra supply for such customers and potential Central European buyers. All in all, Sonatrach has set itself a ceiling of 60bn cubic metres of exports a year by the second half of the 1990s, with commitments of 56bn cubic metres already made.

In addition to traditional oil and gas sales, a significant number of spin offs have produced new joint venture opportunities. One of the first such ventures was that between L'Air Liquide, Air Products and Sonatrach to extract helium from the gas stream going into the LNG plants.

A much larger joint venture is the expansion of liquid petroleum gas export facilities at Arzew. It encompasses the expansion of the existing "Jumbo" LPG plant and the increasing of production as a result of an upstream field enhancement project in which Total is playing a key role.

The Algerians can only hope political uncertainty will not bedevil their plans, particularly at a time when political and other uncertainties make Russian gas far less secure than it was until the break up of the USSR. Algeria has a window of opportunity which those who manage its oil and gas industry seem intent on exploiting to the full.

BRITISH GAS'S announcement in August that it had decided to submit itself to an investigation by the UK competition body, the Monopolies and Mergers Commission, was greeted with astonishment and anger by the rest of the gas industry.

Rival suppliers saw the UK's hard-won independent gas market plunged into a year of turmoil. British Gas had itself been hoping to avoid a full-blown MMC inquiry which, it acknowledges, casts a shadow of uncertainty across the industry. But the company's decision to throw itself open to scrutiny is a reflection of the level of frustration felt within British Gas at the hands of its regulators.

The gas industry's problems date back to the privatisation of British Gas as a single entity in 1986. The regulators have been eager to promote the development of competition since then, but rival suppliers have been slow to take root.

In a bid to break the hold of British Gas on the market, Sir James McKinnon, director general of the Office of Gas Supply (Ofgas), the industry regulator, has subjected the company to a growing number of measures aimed at eroding its market share.

British Gas has complained of the rules constantly changing mid-game. In October last year, Ofgas was joined by the Office of Fair Trading in calling for a more rapid growth in competition in the UK gas market. The OFT called on British Gas to give up half of its share of the industrial gas market by 1995 as well as to hive off its transportation and storage arm. British Gas reluctantly agreed to these onerous demands but became embroiled in discussion of their detail.

The flashpoint which caused the company to take the unprecedented step of calling in the MMC came over the failure to agree with the regulator an acceptable rate of return for the separate pipeline business. But by then, British Gas's already strained relationship with Sir James had degenerated into an acrimonious state of warfare.

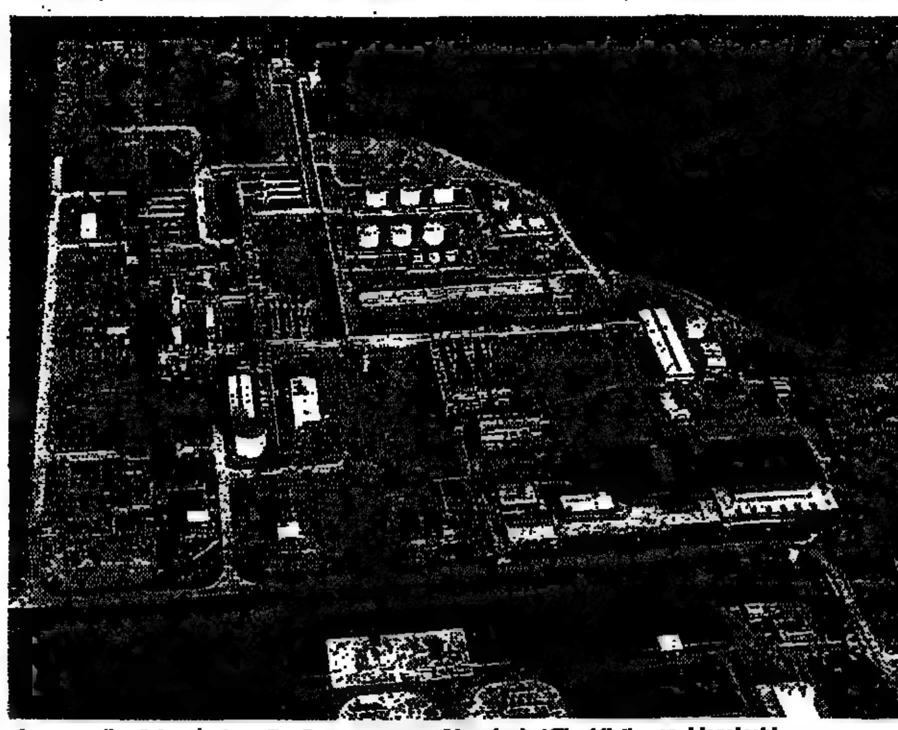
British Gas has congratulated itself in the past on its willingness to cede market share and encourage competitors, but rivals, which have often found a champion in Sir James, have accused the company of exploiting its monopoly grip on the market.

Nevertheless, independent suppliers have managed to capture 30 per cent of the market for firm contract gas. The firm contract market represents half of the overall industrial market and British Gas still retains a monopoly over domestic customers.

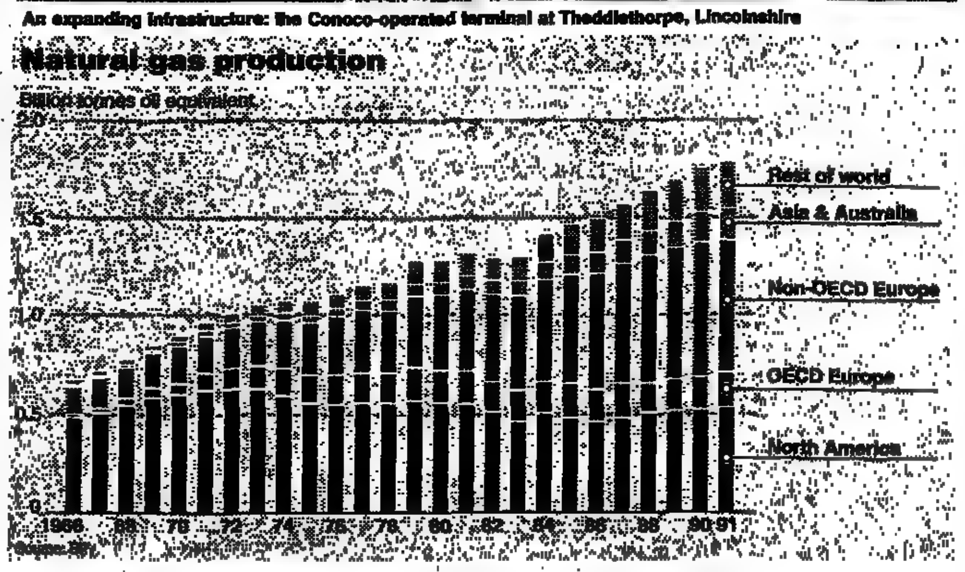
Independent suppliers have been hampered by the long-term gas purchasing patterns that exist in the North Sea. British Gas had contracted to buy up so many North Sea fields that there was little left over for independents to market. As a way round this dilemma, the OFT recommended that British Gas sell off some of its supplies to rivals in a bid to encourage them into the market.

The first of these gas auctions got underway in June with 32 rival suppliers bidding for gas. The OFT argued that the gas auctions would allocate supply to new companies until they are able to buy directly from the North Sea later in the decade.

But many established gas marketing companies are critical of the way the creation of competition in the gas market is being handled. They say the regulators are encouraging independent companies with a short-term view of the market and who could prove to be unreliable suppliers in the long run.



An expanding infrastructure: the Conoco-operated terminal at Theddlethorpe, Lincolnshire



■ TURMOIL IN THE UK GAS INDUSTRY

Inquiries, inquiries

At least half of the independent companies to rival British Gas in the market have been set up in the past year and some observers fear the industry is attracting a flavour of the Wild West with short-term operators rushing to make a quick buck.

British Gas is not allowed to discriminate between long-term players and newcomers in its gas auctions. Rivals are, however, fearful that British Gas is still exercising its clout in order to squeeze them out of long-term supply when they try to buy into North Sea fields.

There are fears of a Wild West rush by newcomers hoping to make a quick buck

Enron, the large US gas company, was thwarted in a recent attempt to buy an interest in a block of North Sea gas production from the US oil company, Chevron, when other companies participating in the block – British Gas, Phillips Petroleum and Agip – exercised their pre-emption rights. British Gas said the move was not an attempt to block a competitor, and pointed out that Enron was still negotiating to buy gas from the field.

Enron is also leading a consortium to build a 1,725 megawatt gas-fired power staion at Imperial Chemical Industries' Wilton site in Teesside, north-east England, to be supplied by the Amoco-operated Everest and Lomond fields in the central North Sea. The £800m plant is due to come on stream in April 1993. Enron plans to market surplus gas from the project.

As well as looking to gain a greater hold of the industrial market, rival suppliers are also positioning themselves to enter domestic supply.

The government has said it will progressively raise the ceiling on the amount of gas a user must take before it can source outside British Gas. This should mean a choice of supplier for domestic households by 1996. Several regional electricity companies have moved to set up gas marketing arms so that by 1996 they will be in a position to provide a full-range of energy services to householders.

However, it is still not clear how a free market in domestic energy will work; the government has yet to decide how the market will be regulated or how much responsibility British Gas will bear as the supplier of last resort.

The government and regulators believe that this rush of competition will bring down costs for users, cutting the price of domestic fuel bills. In a recent survey of participants in the gas market, the consultants Ernst & Young found that the majority believed increased competition would reduce prices. But they also pointed to concerns that industrial users of interruptible gas could face higher costs.

Interruptible gas users currently pay the cheapest prices for supply from British Gas as the company reserves the right to cut them off during periods of peak demand. Since it is almost impossible to make a profit on these supplies, rivals have not entered the market. British Gas has, however, signalled that, as its market share is eroded, it may retreat from this market sector, or be forced to raise prices.

As the UK moves to free its gas market, many issues remain unresolved, not least the sort of shape British Gas will find itself in by this time next year. The MMC could well call for the monolithic British Gas to break up into a into a series of regional supply companies, like those in the privatised electricity industry, as a way to encourage competition.

Many observers believe that if British Gas had been privatised as a series of smaller regional companies in the first place, there would have been no need for the machinations of the past six years.

The MMC is sure to consider a recommendation by the OFT that British Gas sell off its pipeline business as a separate entity. The OFT only backed off from this demand in return for British Gas's co-operation with the rest of its recommendations. Mr Jonathan Stern, independent gas expert, thinks that British Gas stands a 50 per cent chance of being broken up. One of the few things that are certain is that the industry will remain in limbo throughout the MMC inquiry which is likely to take this year and most of next to complete.

Deborah Hargreaves

US gas prices harden after five year trough, says **Karen Zagor**

A healthier atmosphere for supplier and customer

THE gloom is finally starting to lift from the US natural gas industry thanks to rising gas prices, after five years when it seemed that they would never recover.

Hurricane Andrew can take some of the credit for the reversal of ill fortune. When the hurricane swept through the Gulf of Mexico in August, not only did demand for gas rise sharply, but it also knocked out a fair amount of production which helped fuel a further spike in gas prices.

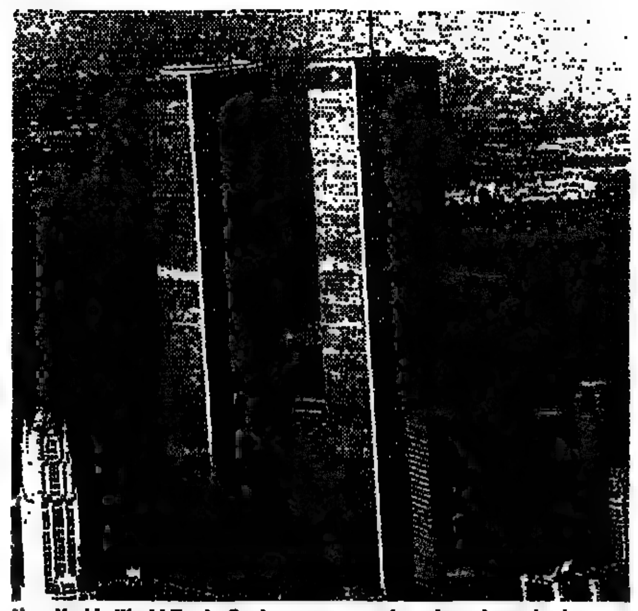
By September, the gas futures contract had hit a peak of $2.74 per million British thermal units (Btu), compared with prices as low as $1.05 per million Btu earlier this year.

But prices had started to creep higher months before the hurricane hit. Gas delivered to Henry Hubb, Louisiana, – a major pipeline interchange point – had an average price of $1.21 per million Btu in February. By May, the average price was up to $1.59 per million Btu rising to $1.75 per million Btu in July before soaring to $2.33 per million Btu in September.

Ironically, part of the reason for the underlying price improvement lies in the high storage levels at the end of last year's very mild winter. Shortly after the stored gas was dumped on the market at very low prices, demand for gas shot up thanks to unusually cool weather in March and April.

According to Mr Thomas Driscoll, an analyst at Salomon Brothers, storage actually fell below target levels, pushing prices higher as the storage was refilled later in the summer. When the hurricane struck, market supply was already tight and storage was still below target levels.

Barring an extraordinarily warm winter, analysts expect prices to hold at higher levels, albeit below their September peaks. The improved prices bode well for the industry's short-term outlook, but may do little to alleviate the industry's fundamental problems.



New York's World Trade Center seen on a clear day: atmospheric pollution has become a burning issue (Picture: Glyn Genin)

"The balance of supply and demand in the gas industry is a comedy of errors," say Mr Driscoll. "Right now it just happens to be in good shape."

Mr Driscoll is one of many observers who believes the erratic fortunes of the US gas industry are "the legacy of congressional meddling and what that has meant for prices and demand".

De-regulation of the US gas industry, which started in the early 1980s, fostered conditions conducive to cost undercutting. The creation of an open access transportation system prompted competition among interstate pipelines, while the monthly bidding process for 30-day spot natural gas supplies contributed to volatile prices.

Producers exacerbated the pricing problem by trying to bolster sales volumes to counter the damage of plummeting prices.

Compounding the industry's troubles was legislation dating to the 1970s which prohibited the use of gas for fuel in new industrial plants and electrical power plants.

The move was designed to preserve what was perceived as a rapidly depleting resource. Largely as a result, natural gas has never challenged coal as US industry's main fuel. The biggest use of gas is in the residential market – making up about half of all energy consumed in US homes.

Although industrial demand for gas is expected to rise, now that the ban has been lifted, it is unlikely to change the face of the gas industry.

In addition, a tax credit introduced by Congress in 1980 to stimulate drilling in difficult areas has dampened prices by allowing the government to subsidise a large portion of gas production. The Section 29 tax credits, enacted at a time when conventional wisdom expected the world to run out of energy, is now being phased out. The credit will only apply to drilling that starts by December 31, although the output from that drilling will continue to be subsidised through 2002.

Given that about half of all wells drilling today are drilling for Section 29 gas, analysts expect production to fall sharply, unless the credit is extended, which should help support higher gas prices.

The gas industry also hopes to benefit from the 1990 Clean Air Act, under which US cities with the worst air pollution must take alternative fuel measures in the next decade. Demand for natural gas as a cleaner burning fuel in vehicles is expected to rise as a result. In addition, electric utilities will probably turn to natural gas to meet the acid rain provision of the Act.

According to Mr Driscoll, the Clean Air Act is starting to have an impact on the gas industry, but it is unlikely to improve conditions dramatically. "If you look at all the natural gas vehicles and all the power plants that will have to reduce emissions, it still won't affect today's performance. If you look at the numbers, there's still not a lot of demand for gas."

It is estimated that prices would have to climb to a range of $2.50 to $3 per million Btu to stimulate a significant increase in drilling and exploration. Largely as a result of the low prices, weak demand and environmental pressures, most of the big US gas producers have turned their attention away from the US and are concentrating on drilling overseas.

Independent producers, however, are still focused on the US and are starting to buy the assets being sold by the major companies, which will leave the US somewhat more dependent on independent gas producers in years to come.

"The gas industry is now changing rapidly on the production side," says Mr Driscoll. "At this point, the major producers have decided to move overseas and the ability of the gas industry to drill is quickly declining. I think it will take a long time to turn that around. The government does very little to help the industry and in many ways is driving the industry out of the US."

Anthony Robinson on the post-Soviet risks and opportunities

Spirit of independence

RUSSIA has two overwhelming macro-economic priorities – to end its dependence on hard currency-consuming food imports and boost its production of hard currency-earning energy exports. But doing either means fundamental changes to the mentality of people brought up on the theory that nature is a free gift, not merely to be used but to be violently assaulted.

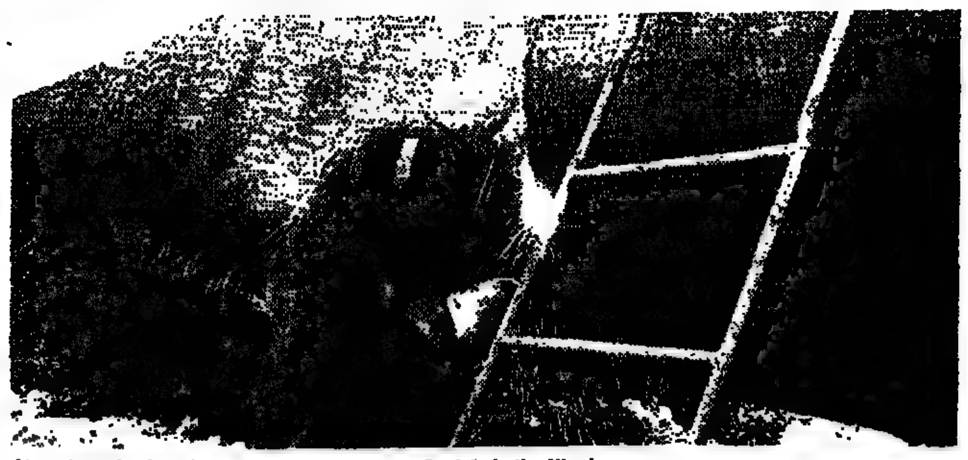
Thanks to such thinking the former Soviet Union became the unchallenged world leader at turning precious natural resources into stinking ecological disaster areas. That recent past, and lingering, deep seated suspicion of the intentions and working methods of western oilmen, is the main obstacle to large scale western investment without which both the oil and gas industry is doomed to further decay.

Most existing Russian oil regions have been so irrationally and badly developed that the cost of modernising them and cleaning up the environmental damage often exceeds the real market value of the oil recoverable. The main western companies interested in such areas are those like Canadian Fracmaster and others who specialise in delivering spare parts and working repairs, and those suppliers of equipment assured of hard currency payment.

However, with more than 27,000 wells idle in the Tyumen oil province of western Siberia alone due to shortage of the most basic spare parts and repair kits, there is enormous potential for business and for rapid productivity gains from relatively small but timely inputs. Any rational Russian oil policy would put energy conservation, war on waste and getting existing facilities up and running at the top of the priority list.

It is difficult to educate oil workers and managers in the need for rigorous cost controls and ecological precautions, however, while prices remain well below world levels and their own living and working conditions are so bad. Mr Viktor Chernomyrdin, the Russian deputy prime minister responsible for energy policy, suggested last month that prices would be allowed to rise by stages to world levels by the end of 1993, under state control. This followed a decree by President Boris Yeltsin which doubled the price of crude oil in mid-September to 20,000 roubles ($20) a tonne, still a fraction of the world price.

The delayed move towards world pricing levels keeps the industry deprived of the resources it needs. At the same time what looked earlier this year like promising moves towards a genuine devolution of power and responsibility to smaller operating companies is now in question again as the recentralisers and their KGB friends retake the initiative. Given the overall deterioration in economic conditions, and the natural attraction of the oil and gas industry to the parasites of the former Soviet system, it will be an uphill struggle for years, to create a modern industry.



At work on the Siberian natural gas pipeline at Suzhda in the Ukraine (Picture by Anthony Robinson).

Most western experts, and the current reformist Russian government, believe that the industry needs to be privatised as soon as possible if it is to acquire the flexibility and operational efficiency required to make good local partners. Mr Alexander Samusev, the deputy fuel and energy minister, recently warned that delay in launching such structural reforms would only increase the industry's decline.

Oil output is expected to drop to between 390m-395m tonnes this year, around 8m barrels a day, from 460m tonnes a year in 1991 and 624m tonnes at its peak in 1988. while The gas industry is also hard pressed to maintain output at current levels.

Mr Samusev said the government was working on plans to restructure the industry by creating a handful of powerful, vertically integrated companies responsible for refining and marketing their own crude and establishing joint ventures with foreign companies.

Western oil companies are used to working in difficult places and are looking hard to diversify sources of supply and improve their reserves in the 21st century. They have no doubts about the vast oil and gas potential of Russia and several of the other republics. What they want is a framework which would secure acceptable terms, which is to say terms similar to those in the rest of the world, for participation above all in greenfield ventures in which they can be involved from the very beginning.

A succinct rundown of the basic requirements demanded by western companies and financial institutions before serious business can be done is contained in a report issued by the World Bank in August after a study of the West Siberian oil industry. With a possible $870m of funding in the balance the Bank made clear that investment would only be forthcoming if:

- oil prices were raised to world levels within 24 months.
- taxes on the oil extraction sector were both cut and restructured.
- specific individuals responsible for reforming the industry were clearly identified.
- oil industry legislation were drawn up and adopted.
- machinery for both providing credit and monitoring its use were put in place.

Significantly the need to create world-type conditions to attract investors has been accepted most whole-heartedly by those parts of the former Soviet Union which were formerly Russia's subservient colonies, such as Kazakhstan and Azerbaijan. Freed from Moscow's heavy hand the leaders of these newly independent republics have taken the decisions needed by western businessmen before agreeing to commit billions of dollars to long term projects.

Chevron's $2.5bn agreement with Kazakhstan to develop the huge potential of the Tengiz oil field, the £3.1bn British Gas, Agip and Statoil contract to explore and develop the 20 trillion cubic metre Karachaganak gas field, and the $1.7bn deal with United BMB of Turkey to develop four oil fields and build four gas fired power stations at Aktyubinsk are clear indicators that this policy is paying off. Kazakhstan is set to become a significant 21st century energy supplier.

Several other projects are also under discussion while elsewhere in the region the Stan Cornelius Consortium of US investors recently reached agreement to develop the 800m barrel Mingbulak oil deposit in Uzbekistan; and Amoco, together with Unocal and McDermott, has made a joint venture with Azerbaijan's Kaspmorenefetegaz to develop the offshore Azeri field in the Caspian sea.

These are just a few of the dozens, possibly hundreds of deals of all shapes and sizes currently under discussion all across this vast area from the Arctic Ocean to Sakhalin Island.

It is not easy getting oil and gas out of the ground and safely to market from anywhere in this huge area. But for those involved and those pondering the plunge, the break up of the former Soviet Union has provided some of the most exciting oil and gas prospects in the world.

Beauty spot challenge: Furzey Island, Dorset, next to BP's Wytch Farm oilfield. Big efforts have been made to protect the environment

■ OIL AND THE ENVIRONMENT

A battle on many fronts

THE battleground is familiar, but the conflict is not slackening. Oil and gas companies have for years been one of the main targets of environmental regulation and of "green" pressure groups. The companies claim in turn that they have spent a fortune looking after the environment, and that standards have greatly improved.

It is true there have been vast improvements in curbing pollution - and at considerable cost. But with the addition of global warming to the list of potential environmental threats, the industry faces new pressures: international calls for energy conservation and for taxes to curb the use of fossil fuels.

Environmental regulation, which affects the oil and gas industry from production to consumption, began in most countries by focusing on local and regional pollution, where the threats to health and the source of the pollution could easily be identified.

One of the earliest campaigns - and one of the most successful - has been aimed at limiting the emission of sulphur dioxide from refineries and fuel, and so reduce acid rain that can travel many miles across international boundaries. According to industry estimates, emissions of sulphur from OECD refineries have decreased by more than a third in the past decade and are continuing to fall.

A second focus has been on the risk of oil leaks, particularly after the Exxon Valdez disaster in 1989 when 267,000 barrels of oil were spilled off the coast of Alaska. In 1990, the US passed the Oil Spill Act requiring new tankers to have double hulls; and this June the International Marine Organisation, which regulates shipping worldwide, also tightened rules on ship design.

Commercial penalties for slight infringement of environmental rules can be so great, particularly under US tort law, that companies are prepared to go to some lengths to avoid risk. Mr David Simon, group chief executive of British Petroleum, says: "One only has to consider the political, economic, commercial and public relations repercussions of a major environmental accident to understand why no oil company in its senses would ever needlessly run risks or cut corners."

Environmental groups such as Greenpeace and Friends of the Earth are sceptical about those claims. According to Mr Simon Roberts, a campaigner with Friends of the Earth, companies have sometimes tried to meet emission and discharge standards "by exporting the problem and locating operations in areas with slacker rules, such as developing countries."

Pressure groups are right to point to the discrepancies in international standards - the former Soviet Union countries, which collectively still produce most of the world's oil and gas, arouse some of the main environmental concerns.

However, environmentalists sometimes dismiss too lightly the cost of meeting environmental rules. The costs were not always apparent when the rules were made - and many oil companies argue that ultimately they are borne by the consumer.

Speaking at the World Energy Congress in Madrid in September, Mr Simon suggested the cost to the US oil industry of complying with all US environmental laws, regulations and standards was between $15bn and $20bn a year – compared with present US petroleum profits of between $20bn and $25bn a year.

Industry estimates suggest that the cost of complying with existing EC rules are between $8.5bn and $9.5bn a year, equal to the net annual income worldwide of Europe's top seven oil companies.

The EC estimates the investment needed to reduce sulphur in heating gas oil and diesel fuel at Ecu5bn ($6.5bn) to Ecu7bn ($9bn) up to the year 2000 and European oil companies and consultants have suggested that the cost of reducing sulphur in fuel oil and shipping could be $20bn over the same period.

According to Ms Fiona Nichol, oil analyst at Kleinwort Benson Securities, "it's getting a little bit scary particularly in the US – rules are now being passed which are technically hard to put into practice, and the costs are rising because the easy stuff has been done."

'Tough penalties mean that no oil company would now needlessly run risks or cut corners'

Heading the list of difficult problems which have yet to be tackled adequately is the risk of global warming, linked to the emission of carbon dioxide from burning the fossil fuels coal, oil and gas. International discussions have focused on carbon or energy taxes rather than regulation, partly because the sources of emissions are so diverse.

The EC has proposed a tax that rises from 3 per cent to 10 per cent by 2000, levied half on energy value and half on carbon content. According to the Commission, fossil fuels account for 85 per cent of all energy consumed in the EC, and EC countries have acknowledged that without a tax they stand no chance of meeting international targets of stabilising carbon emission levels at 1990 levels in the year 2000. Recession in the US and Europe has temporarily depressed energy use and made some of the targets easier to achieve, but it has also increased opposition to the new proposals and their accompanying costs.

The economic slump has, however, moved energy efficiency initiatives higher up the agendas of governments. But while efficiency measures could help extend the life of non-renewable fuels, they could also threaten the short-term revenue of the energy companies, and some environmentalists have been sceptical about industry's support for these investments.

Bronwen Maddox

FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday November 3 1992

INSIDE

German truckmaker bucks the trend

Man Nutzfahrzeuge, the German commercial vehicle maker, increased pre-tax profits 29.7 per cent to DM506m ($333m) in the 12 months to the end of June, the group's best ever financial performance. While the outlook for the coming year is deteriorating, Man's record performance is in stark contrast to the losses being suffered by other leading European truckmakers, such as DAF and Volvo. Page 20

US gains offset Japanese falls

Gains in US share prices helped offset weakness in Japanese stocks last week, leaving the FT-Actuaries World Index 0.1 per cent up. Although Europe ended the week broadly neutral some movement was seen in individual markets, particularly Finland and Italy which led the week's winners with gains of 7.8, and 6.3 per cent, respectively. Back Page

Shell around Brunei

Early this century two British geologists were cycling in Brunei, on the west of the island of Borneo. They paused for a rest, and discovered oil. Brunei now produces 182,000 barrels of oil a day. Exports of crude in 1990 were worth Br$2.02bn ($1.27bn). Royal Dutch/Shell has a monopoly on the sultanate's oil and gas exports and most industry analysts see the Brunei/Shell relationship continuing. But others are eager to enter. And the sultan has pressed for a greater share of profits from the Shell operations. Page 28

Malaysia launches biggest offer

Malaysia Airlines (MAS), the national carrier, is launching Malaysia's biggest ever rights issue, in a M$1.75bn ($700m) one-for-one offering. The Malaysian government controls more than 50 per cent of MAS and is unlikely to let the issue fail; but many analysts see turbulent times ahead. Page 21

Breaching securities fences

The walls dividing the US banking and securities businesses are crumbling. Last week NationsBank, one of the largest banks in the US, and Dean Witter, the Wall Street securities house, announced that they were joining forces to run a securities brokerage firm. Page 23

CP takes charge for lay-offs

Canadian Pacific has taken a C$270m ($218m) charge in its third quarter to cover the cost of laying off a third of the train crews in its core railway business. Page 22

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				Gap	32⅝	−	1⅜
Falls				Sun Micro	33⅞	−	1⅞
BMW (Br)	473.5	−	11.5	US Surgical	64⅝	−	3⅝
Daimler-Benz	522	−	10	**TOKYO (Yen)**			
Fag Kugelfisch	117	−	8	**Rises**			
Leifheit	335	−	19	Hanai	230	+	19
Linde	661	−	16.5	**Falls**			
Mercedes Hld	391	−	10.8	Hitachi Info	1080	−	100
NEW YORK ($)				Nippon Housing	212	−	21
Rises				Taiheiyo Kouhat	230	−	25
Citicorp	18¾	+	⅛	Towa Real Est	343	−	35
Gen Motors	31	+	¼	Toyo Comm	1280	−	120
Falls							
Apple	52¼	−	¼				

Paris closed.

LONDON (Pence)				Simon Eng	89	+	10
Rises				Stag Furniture	96	+	21
AMEC	82	+	5	Tie Rack	53½	+	3½
Arnwoods	132	+	10	Tomkins	223½	+	11½
Friendly Htls	125xd	+	20	**Falls**			
Granada	298	+	18	Brit Fittings	46	−	4
INVESCO MIM	84	+	9	Cook (Wm)	89	−	6
Lucas Inds	115	+	9	Haslam MacL'fan	23	−	3
MEPC	330	+	15	Laing (J) A	178	−	8
Macfarlane Grp	205	+	12	Lightship	24	−	11
Mowlem (J)	84	+	7	Sindall (Wm)	78	−	5
Pearson	363	+	15	Torday Carlisle	43	−	6
Pressac	71xd	+	7½				
Property Trust	36	+	5				
Redland	356	+	13				

Airlines renew talks on alliance

By Bernard Simon in Toronto and Nikki Tait in New York

CANADIAN Airlines International is to renew talks later this week for a far-reaching alliance with American Airlines amid signs that plans for a merger between Canadian and Air Canada have run into difficulty.

PWA Corp, Canadian's Calgary-based parent, yesterday said the talks scheduled with American officials in Dallas would be "preliminary".

American and Canadian were at an advanced stage of negotiations last summer for an alliance which would have included American buying a 25 per cent equity stake. Canadian would have meshed its marketing and reservations systems with American.

Canadian was unable, however, to fulfil all American's conditions, notably a requirement to raise new equity.

American Airlines declined to comment yesterday on the resumption of discussions, but is understood to have retained its interest in its original proposal.

A deal would be attractive to American because of the opportunity to expand its Sabre reservations system and other "back-office" facilities, as well as granting access to Canadian's valuable landing slots in Japan and other Asian airports.

After the talks with American collapsed, Canadian was forced to turn to its rival Air Canada, but the two carriers have been unable to agree on details of their proposed merger, such as the composition of the combined fleet and the restructuring of their massive debt, estimated at C$7.7bn ($6.2bn).

Canadian and Air Canada last week asked the National Transportation Agency to delay public hearings on the proposed merger which were to start in Ottawa next Monday.

Both Canadian carriers are suffering heavy losses. According to a leaked document published last week, the merged airline would post a 1993 loss of C$666m.

PWA said the renewed negotiations with American stemmed from a request by Ottawa's bureau for competition policy that PWA "shop around" for an alternative to the Air Canada merger. An employee group has put forward a buy-out plan which would include an investment by American.

Bayer warns of profits downturn

By David Waller in Frankfurt

PROFITS at Bayer, one of Germany's big three chemicals companies, will be considerably down this year, the company's chief executive has warned.

Mr Manfred Schneider, Bayer's chief executive since April, said the appreciation of the D-Mark in recent weeks had a noticeable impact on the company's business.

He said the strengthening of the D-Mark had damaged the competitiveness of the entire export-orientated German chemicals sector, exacerbating the problems caused by intense pressure on prices and a general downturn in the world chemicals industry.

Conditions have deteriorated sharply over a matter of months. In August, when it reported half-year profits down nearly 10 per cent, Bayer predicted the full-year result would be "satisfactory".

This was defined as being marginally down on the pre-tax profit of DM3.2bn ($2.1bn) reported for 1991, a fall of 5 per cent on the previous year. Mr Schneider said the company had to battle against a "strong and growing headwind".

Bayer plans to shed 4,000 employees by the end of the current year, equivalent to about 2.5 per cent of the 140,000 workforce worldwide. Mr Schneider hinted that further reductions would be necessary next year.

His comments provide a graphic illustration of the impact of the D-Mark's appreciation on German industry. The currency has risen 8 per cent against all currencies since the beginning of the year, but by far more against sterling and the lira.

Later this month Bayer, and its large German rivals Hoechst and BASF, report their figures for the first nine months of the year, providing an indication of bad news to come from the German chemicals sector.

Bayer's shares – which have outperformed the German market by 7 per cent in the past three months – fell more than 3 per cent yesterday from DM263 to DM254.5.

Mr Schneider said the areas most affected by the worldwide slowdown were its industrial, organic and polymers chemicals businesses. These products are used by construction, motor, textile and other sectors feeling the brunt of the world recession.

Mr Schneider said conditions in the pharmaceuticals sector – which accounts for a larger share of business than at the other two large German chemicals companies – were better than in chemicals. But he qualified his optimism by pointing to high research and development costs and government interference in the drug industry.

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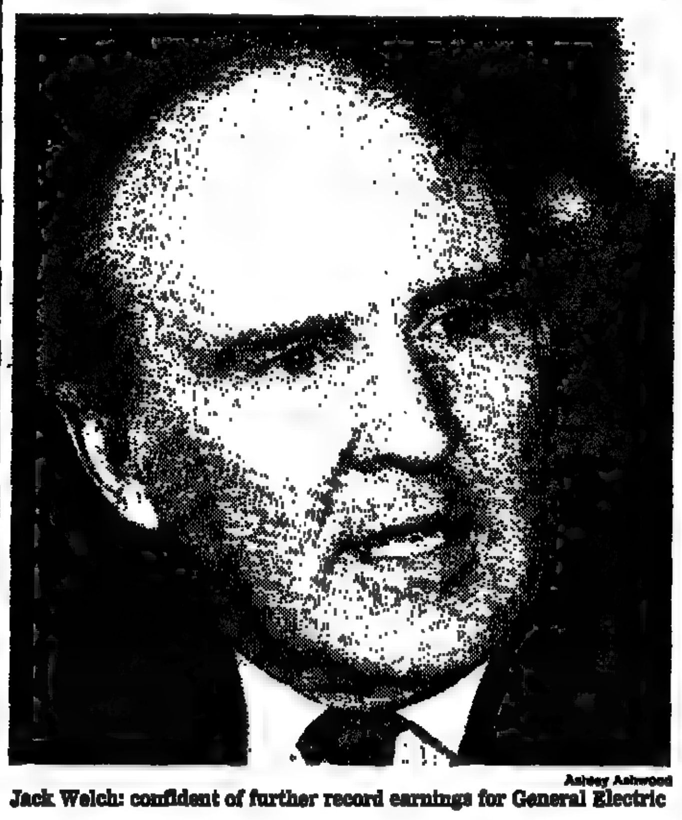

Ashley Ashwood
Jack Welch: confident of further record earnings for General Electric

General Electric of US may buy a 20% stake in Austria's second largest bank, reports **Ian Rodger**

Creditanstalt attracts GE

THE AUSTRIAN finance ministry has confirmed that it is interested in selling a 20 per cent stake in Creditanstalt, the country's second largest bank, to General Electric of the US.

Mr Ferdinand Lacina, a spokesman for the ministry, said the finance minister had been approached by GE management during the annual meetings of the International Monetary Fund in Washington in September.

GE said it was not its policy to comment on rumours or reports of this kind.

The Austrian government holds 49 per cent of Creditanstalt's equity, but is committed to further share sales as part of its privatisation policy.

A Creditanstalt spokesman confirmed that GE had expressed a "basic interest" in buying a share stake.

Financial analysts in Vienna speculated that GE's interest related to Creditanstalt's contacts in eastern Europe. These date from before the first world war, when the bank was the largest in the former Austro-Hungarian empire.

The bank has worked hard to revive its bases in eastern Europe in the past three years, opening subsidiaries in Budapest, Prague, Warsaw and Ljubljana and setting up investment banking operations in the first three.

It has also played a pivotal role in the privatisation process in Czechoslovakia, setting up large investment trusts with citizens' privatisation vouchers.

The Creditanstalt group also has large industrial holdings, including majority stakes in Wienerberger Baustoffindustrie, the fast growing Austrian building materials group, and Steyr-Daimler-Puch, the engineering group.

The Austrian government reduced its stake in Creditanstalt from 60 per cent to 49 per cent a few years ago, but still holds a majority of the voting shares.

The government has been committed to selling more of its shares, and Creditanstalt directors have been actively negotiating with potential strategic partners, which have not until recently included GE.

However, with the slump in the Austrian stock market, the government has not been pressing the pace to sell its shares, and the finance ministry spokesman said yesterday that a sale to GE was not imminent.

The bank had total assets of Sch514.2bn ($46.7bn) at the end of June.

Nissan falls into Y14.24bn half-year loss

By Steven Butler in Tokyo

NISSAN Motor, Japan's second largest carmaker, yesterday reported heavy losses and suspended its dividend for the first time, because of weak car markets and loss of market share in Japan.

The parent company reported a slide into Y14.24bn ($115m) pre-tax losses for the six months to September from profits of Y41.46bn a year earlier. Sales fell 8.5 per cent during the period to Y1,910.8bn, from Y2,090bn, with unit sales off by 12.5 per cent to 1m, reflecting a sharp recent decline in Japan's domestic vehicle market.

"The main reason [for the decline] was the simultaneous depression in the three main markets for cars: Europe, North America and Japan," said Mr Atsushi Muramatsu, executive vice-president.

However, Nissan has been losing sales in Japan rapidly. Unit sales were down 20 per cent to 546,778 units, with market share in the first half of the fiscal year off 1.2 percentage points to 22.2 per cent.

Mr Muramatsu attributed the loss of market share to Nissan's poor offerings of recreational vehicles, which are popular in Japan.

He also said a company policy to seek higher margins rather than market share had been carried out too rigidly, and hinted that Nissan would attempt to sell more vehicles by means of greater discounting.

Although Nissan did not report consolidated results, Mr Muramatsu said these would likely be worse than those of the parent company, as many of Nissan's sales subsidiaries were in loss.

Mr Muramatsu said Nissan expected to break even in the second half of the year and return to profitability next fiscal year, on the assumption that the market would stay flat. Analysts however regard this outlook as highly optimistic given the recent heavy decline in Nissan sales.

Mr Kanemitsu Anraku, general manager, said Nissan had gained Y31bn by cost-cutting and productivity increases. However, these gains were more than offset by Y45bn of sales losses, Y5bn in net foreign exchanges losses, and Y10bn in net higher labour costs and depreciation.

Net profits from securities sales were down to Y1.2bn from Y9bn. Appraisal losses on securities stemming from the decline of the Tokyo stock market rose from Y0.6bn to Y3.9bn.

On a net after-tax basis, Nissan lost Y21.99bn compared with a profit of Y24.3bn last year.

Nissan announced no new measures to cope with the fall in the business. Mr Muramatsu said the company would seek to reduce costs by gradually extending the model life of cars.

The company also sought to lift labour productivity by 10 per cent a year for the next three years. Overtime work was being eliminated, the organisation was being streamlined, and more company personnel were being assigned to the sales force. Nissan's basic strategy, however, remained to cut costs and wait for the market to improve.

Nissan, whose credit rating has recently been lowered by the main credit agencies, will face heavy refinancing requirements during the next year, with $500m in bonds coming due in February, and Y1.5bn in warrant bonds maturing next year.

Nissan projected a Y20bn net loss for the year on sales of Y4,050bn. The company expected to pay a final dividend of Y7 per share, half of last year's full payout.

UK government clears way for BA takeover of Dan-Air

By Jane Fuller and Daniel Green in London

THE WAY has been cleared for the rapid completion of British Airways' takeover of Dan-Air, the UK's oldest independent airline, after the government's decision yesterday not to refer the deal to the Monopolies and Mergers Commission.

The acquisition, for a nominal £1, was waved through by Mr Michael Heseltine, trade and industry secretary, in spite of concerns about reducing competition. BA's smaller rivals – Virgin Atlantic Airways, British Midland and Air UK – had protested to the Office of Fair Trading.

The decision came only hours after Dan-Air's last charter flight, from Las Palmas, landed at Gatwick at 8am yesterday. BA is taking on about 15, approximately half, of Dan-Air's scheduled routes. Six routes will be closed this week, including Jersey, the first scheduled service offered by the airline in 1956, three years after its inception.

Mr Heseltine was following the OFT's recommendation that public interest would be better served by avoiding an MMC referral. He mentioned the adverse impact on services at Gatwick, where Dan-Air is the largest operator with one fifth of the slots. BA had said it would abandon the deal, which involves taking on £35m of Dan-Air's liabilities, if the merger was referred or bound by conditions. Mr David James, chairman of Davies & Newman Holdings, Dan-Air's parent, said the alternative was receivership.

However, Sir Michael Bishop, chairman of British Midland, yesterday described the DTI decision as "astonishing". He said it was "harmful to the consumer and the interests of the majority of Britain's airlines".

"The decision destroys all the safeguards to maintain a competitive UK airline market which were clearly established and agreed by the regulatory authorities at the time of the MMC investigation of BA's merger with British Caledonian."

Mr Andrew Grey, managing director of Air UK, said: "The monopolisation of the airline industry in the UK goes on. What has happened to the government's multi-airlines policy?". Mr Richard Branson, chairman of Virgin, called for "an urgent review of competition policy and the establishment of an independent airline regulatory body".

Singapore group buys London hotel

By Michael Skapinker in London and Kieran Cooke in Singapore

THE Rank Organisation is to sell London's Gloucester Hotel to a Singapore property group for £87.5m ($110m) in cash.

City Developments (UK), a subsidiary of the Singapore-based Hong Leong group, said the "rare opportunity" to buy the Gloucester was due to the "prevailing weakness of sterling combined with declining UK interest rates". City Developments (CDL), listed in Singapore and Hong Kong, said the purchase would be funded by internal resources and bank loans. The sale is due to be completed before February next year.

Rank, whose interests include cinemas, film distribution and bingo, said last April it was putting 22 hotels on the market, including five in London. It is retaining more than 30 hotels linked to its Butlin's holiday camp business and its Shearings coach holiday operation.

The sale of the 548-room Gloucester brings the hotels sold to four. Rank built the Gloucester, which opened in 1973. The group announced the sale of the Athenaeum in London and two Scottish hotels earlier this year. The remaining London hotels up for sale are the Royal Garden, the Royal Lancaster and the White House.

Mr Angus Crichton-Miller, managing director of Rank's hotels and holidays division, said he could not say how long it would take to sell the remaining hotels. Rank had always thought each of the London hotels would attract a different buyer.

He said he expected other foreign buyers to be attracted by the prospect of borrowing sterling cheaply in the UK or taking advantage of the weaker pound to buy hotels using their own cash resources.

Mr Crichton-Miller said even with low UK interest rates, Rank would earn more by banking the money from the sale of the Gloucester than from running the hotel.

He said room occupancies in Rank's London hotels were above 80 per cent. Although the provincial hotels had had a difficult summer, business had picked up in the past eight weeks.

Room rates were, however, under pressure. Rank has been allowing American and Australian visitors to convert the sterling room price at a rate of one pound for one US or Australian dollar.

INTERNATIONAL COMPANIES AND FINANCE

Hanson offer hinges on details supplied by RHM

By Roland Rudd and Richard Gourlay in London

HANSON's advisers said yesterday the Anglo-US conglomerate was unlikely to enter a bidding war with Tomkins for Ranks Hovis McDougall unless information from the baking and grocery products group was deemed to be new.

Morgan Grenfell, RHM's adviser, replied yesterday to an eight-page letter from Hanson's adviser, NM Rothschild, asking questions about RHM's business.

Under Takeover Panel rules, RHM is obliged to pass on information given to Tomkins which is specifically asked for by Hanson.

Hanson said it would study Morgan Grenfell's reply before deciding whether to increase its bid or walk away.

The Anglo-US conglomerate last week saw its hostile £790m ($1.29bn) bid trumped by Tomkins' agreed bid.

With Tomkins shares closing 11½p up at 223½p, its share offer values each RHM share at 258p. There is a cash alternative of 260p which values the ordinary shares at £935m, including £10m for the preference shares.

Hanson said its offer of 220p for each RHM share was fair based on information it had at the time.

Unless RHM has disclosed new financial material made available to Tomkins, which Hanson believes justifies Tomkins' higher bid, Hanson is expected to walk away.

Hanson wants RHM both for financial and strategic reasons, the latter being its desire to create a core business centred around UK food products.

However, a Hanson adviser underlined the conglomerate's determination not to "overpay" if it decided RHM had not disclosed new information.

According to an RHM adviser, the reply to Hanson's request did not contain much new information.

Meanwhile, Tomkins has revamped its presentation to institutional shareholders to try to answer reservations about its apparent change of direction into the food sector.

Mr Greg Hutchings, Tomkins chief executive, said: "Some people have been concerned that we we will be re-rated as a food company. This is not true. We are a management company of mature businesses."

He said the new presentation provided more clues as to what Tomkins would do with RHM.

Only 10 per cent of RHM's £92m pre-tax profit for the end of 1992 was in the troubled milling and baking business, where there was "surplus capacity of 10 per cent".

Some 60 per cent of RHM profits were from the grocery brands and the food services which supply own-label foods to the likes of Marks & Spencer. and were very good businesses.

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Top Dutch merchant banks plan to merge

By Ronald van de Krol in Amsterdam

THE TOP two Dutch merchant banks, Pierson Heldring & Pierson and Bank Mees & Hope, said yesterday that they planned to merge, slightly more than two years after their former parent banks combined to create ABN Amro, the biggest bank in the Netherlands.

The merger of ABN Amro's two merchant bank subsidiaries will produce a bank with a balance sheet total of Fl 35bn ($20bn), a strong position in several market segments in the Netherlands, and a network of smaller offices in 17 countries.

The new bank, to be called Mees Pierson, aims to consolidate its position at home and then to expand to become a "European merchant bank" which will be able to compete with Anglo-Saxon merchant banks such as Goldman Sachs, according to Mr Han Kleiterp, chairman of Pierson.

"The new bank will operate entirely independent of the parent bank," he added.

Pierson's former parent, Amro Bank, and Mees' parent, ABN Bank, merged in 1990, sparking speculation that one of the two merchant banks would eventually be sold off or that the two would be combined. However, ABN Amro repeatedly insisted that the two banks would remain separate, independent entities within the group.

The decision to merge the two merchant banks after all was taken to respond to the increased international nature of banking and to enable the new bank to grow faster abroad. The narrowing of margins in areas such as stock market trading also spurred the two merchant banks to explore a merger.

Cost savings are expected by creating single information technology systems in such areas as treasury management and securities.

Officials said the merger would lead to job losses. The banks have a combined workforce of 3,800.

MAN's pace begins to slow down

Kevin Done on the German truck maker after the unification boom

MAN Nutzfahrzeuge, the German commercial vehicle maker, increased its pre-tax profits by 29.7 per cent in the 12 months to the end of June, the group's best financial performance.

The record profits of the past two years have been fuelled by the very high level of domestic sales of trucks and buses generated mainly by German unification. But the company warned that truck demand in Germany has begun to weaken since the beginning of this year and MAN is now being forced to cut output in line with falling sales.

It has reduced truck production by about 12 per cent. It plans to halt output for one week this month and again in January. It is also cutting overtime and not replacing temporary workers or those lost through natural wastage.

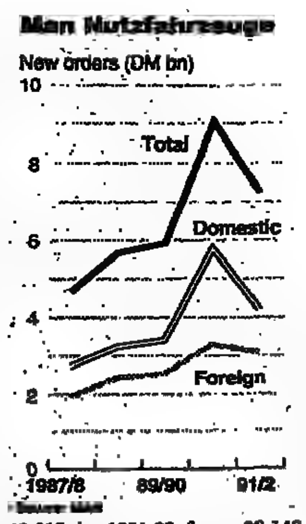
Both profits and turnover are forecast to fall in the year. MAN has warned that further short-time working could be imposed in coming months if orders remain at a low level. Turmoil in the currency markets have also greatly increased uncertainty in European markets.

While the outlook for the coming year is deteriorating, MAN's record financial performance in the 12 months to June contrasts starkly with the losses suffered by other European truck makers, such as DAF and Volvo.

In the period, MAN increased pre-tax profits by 29.7 per cent to DM506m ($328m), while turnover rose 6.9 per cent to a record DM7.9bn. Sales outside Germany were static at DM3.2bn, but domestic turnover jumped by 13 per cent to DM4.7bn.

MAN raised its production of trucks and buses by 8.4 per cent to a record 41,590, with its plants in Germany and Austria working at full capacity. The workforce was increased by more than 1,000 to 28,900 at the end of June.

MAN truck and bus sales worldwide rose by 7 per cent to 40,815 in 1991-92 from 38,146, helped by strong demand in Germany and in Austria. The increase was achieved despite a fall in the total west European market for trucks to 277,000 in calendar 1991, from 287,000 a year earlier.



MAN raised its west European truck market share to 12.4 per cent last year from 10 per cent a year earlier, thanks to its strong presence in Germany. Excluding Germany, the west European truck market fell by 22 per cent to 170,000 last year from 216,000 in 1990.

But falling new orders from the domestic German market, combined with stagnant or declining demand from export markets, led to a 20.3 per cent fall in the value of new orders booked by MAN in the 12 months to the end of June. Orders totalled DM7.2bn. New domestic orders fell by 28.1 per cent to DM4.1bn, while foreign orders fell by 6.5 per cent to DM3.1bn.

At the end of June, the group's order book had fallen by 22.7 per cent to DM3.49bn from levels of a year earlier.

In the quarter to September this financial year, the value of new orders has fallen again – by 27.8 per cent to DM1.3bn, compared to DM1.8bn in the same period a year ago.

Poland presses on with sale of domestic bank

By Christopher Bobinski in Warsaw

THE POLISH government is to press ahead with the sale of Wielkopolski Bank Kredytowy (WBK), the first privatisation of a leading domestic bank.

WBK is one of the nine banks created in 1989 out of the commercial operations of NBP, the central bank. The sale is being handled by Schroders of the UK.

Mr Slawomir Sikora, the official at the Finance Ministry responsible for the operation, says he expected it to be completed by the summer of 1993. WBK was originally identified for privatisation by the government.

Mr Sikora said: "It is the government's intention to sell all nine banks in three or four years' time."

The Allied Irish Bank is providing management advice to the WBK under a three-year contract.

Ciments Français pressed on Spanish share deals

By Alice Rawsthorn in Paris

CIMENTS Français, the French cement company embroiled in a scandal over its off-balance sheet share dealings, has been asked by the Spanish stock market authorities for details of its dealings in Spain by the end of this week.

The bulk of Ciments Français off-balance sheet transactions – FFr890m ($170m) out of FFr1.05bn – were conducted in Spain.

It is thought that the dealings could have involved Cementos Molins, a Spanish cement maker, in which the French company already holds a minority stake.

This may mean that Ciments Français is compelled to make a formal offer for more shares.

Under Spanish takeover regulations, if an investor holding more than 25 per cent of a company buys another 6 per cent within a year, they are required to bid for a further 10 per cent.

Ciments Français already owns 25.3 per cent of Cementos Molins as a result of a transaction in 1986.

Ciments Français declined to comment on whether it had raised its stake in Cementos Molins. However, it said that, if its stake had been raised by more than 6 per cent in a year, it would explore "other solutions" apart from an outright bid.

Mr Bernard Laplace, who last month succeeded Mr Pierre Conso as chairman of Ciments Français after the latter's dismissal, held discussions last Friday with the Spanish stock market authorities.

Ciments Français, which last week announced substantial interim losses, is under intense financial pressure over the off-balance sheet losses. As a result, both the Spanish authorities and Cementos Molins are expected to support a compromise solution rather than insisting on a formal bid.

Fyffes' Swedish deal falls through

AN AGREEMENT worth SKr500m ($86m) that would have given Fyffes, the Dublin-based fruit and vegetable distributor, 50 per cent of the Swedish wholesale distributor Saba Trading has collapsed, write Christopher Brown-Humes in Stockholm and Tim Coone in Dublin.

Axel Johnson, Saba's parent, said both parties decided to pull out of the deal following the recent drop in European fruit and vegetable prices and the deterioration in the Swedish economy.

Mr Carl McCann, finance director of Fyffes, said the problems facing the Swedish economy, which had emerged since the deal was first agreed in the summer, had "substantially increased the risks". He said these included a currency devaluation risk and projected falls in consumer spending.

However, analysts suggest that a separate deal between Axel Johnson and KF, the Swedish co-operative group, was the real reason for the breakdown.

Under this agreement, Axel is selling its B & W hypermarket chain to KF and buying KF Fruit and Vegetable, another subsidiary, for a net cash gain of SKr685m.

Axel plans to merge Saba and KF Fruit and Vegetable, creating an operation with a turnover of SKr4bn a year. KF is taking a 9 per cent stake in the new entity and has an option to buy a further 21 per cent in December 1997.

Saba and Fyffes are still planning close commercial collaboration in a number of key areas.

Winterthur optimistic on full-year result

By Ian Rodger in Zurich

WINTERTHUR Insurance, Switzerland's third largest insurance company, said it was cautiously optimistic about its results for 1992, thanks to positive growth in direct insurance operations in its main markets and substantial gains on shares up to the end of October.

Mr Peter Spaelti, chief executive, said at a press conference in Winterthur that premium growth in local currencies should be about 10 per cent compared with 14.2 per cent in 1991.

However, he warned that unstable stock and foreign exchange markets, as well as large claims arising from natural disasters, could still have a substantial impact on profits. In 1991, Winterthur had a consolidated net profit of SFr263.9m ($190.7m).

AB Foods declines 11% to £297m

By Angus Foster in London

ASSOCIATED British Foods, owner of the UK's largest baker and British Sugar, reported an 11 per cent drop in profits and its first fall in earnings per share since 1978, mainly because of lower investment income and price-cutting in the wholesale bread market.

Mr Garry Weston, chairman, said: "It's not too happy, but it's been a very tough year."

Pre-tax profits fell from £332m to £297m ($484.11m) in the year to September 12, in line with market expectations. Earnings per share fell from 49p to 43.7p.

Turnover increased 12.7 per cent to £3.95bn, helped by the first full contribution from British Sugar, acquired last year, which reported trading profits of £139m on sales of £699m. This helped lift European profits 15.5 per cent to £238m. Mr Weston said ABF had spent more than £70m improving British Sugar's cost structure, including two plant closures.

Net investment income fell from £89m to £26m.

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MAS embarks on extensive expansion

Kieran Cooke on prospects of the airline launching Malaysia's biggest rights issue

A FIRE last month which destroyed the control tower at Kuala Lumpur airport, severely disrupting international and domestic flights for more than two weeks, could not have come at a worse time for Malaysia Airlines (MAS), the country's national carrier.

For today, MAS launches Malaysia's biggest rights issue, raising M$1.75bn (US$700m) in a one-for-one share offering.

Since the Malaysian government still controls more than 50 per cent of MAS, it is unlikely to let the issue fail, though many analysts see turbulent times ahead.

The cash to be raised will be used partly to fund one of the world airline industry's most ambitious expansion programmes. In the course of its present five-year plan – 1991-92 to 1996-97 – MAS has orders for 72 aircraft costing a total M$10.6bn.

The aircraft are needed to meet what MAS foresees as a substantial increase in domestic and international travel in the coming years. Old aircraft have to be replaced, while expensive leased aircraft, which now make up more than half the total fleet, will be phased out. Overall, MAS plans to increase its fleet from 74 aircraft to about 100 over the next five years.

MAS started life as Malayan Airlines in the years before the Second World War. In the 1960s, it was known as Malaysia-Singapore Airlines. In the early 1970s, a split occurred, giving birth to MAS and Singapore Airlines. Over the years, MAS has tended to be overshadowed by the success of SIA, even though in terms of passengers carried it is substantially bigger than its southern neighbour and competitor.

MAS plans to increase its fleet from 74 to 100 aircraft

MAS is now determined to establish itself as a leading international and regional carrier. "We want to turn Malaysia Airlines into one of the super excellent airlines in the world in terms of schedules and services," says Mr Kamaruddin Ahmad, managing director.

The airline is encouraged by continued strong economic growth at home and forecasts of rapidly increasing regional passenger traffic, particularly in south-east Asia.

MAS plans to increase overall capacity by between 10 and 15 per cent in each of the next five years. New routes are being opened, most recently to Johannesburg and Mexico City.

Infrastructural investments of nearly M$1.5bn are also planned. These include M$700m towards the cost of a new international airport outside Kuala Lumpur, scheduled to be completed before the Commonwealth Games in the city in 1998, and nearly M$200m for a local maintenance centre.

MAS, partially privatised in 1985, is 42 per cent owned by Bank Negara, the Malaysian central bank, and 5 per cent each by the state governments in the east Malaysian states of Sabah and Sarawak. The Brunei government holds another 10 per cent.

Mr S. Suppiah, director of finance at MAS, has no doubts about the rights issue but admits funding the airline's expansion programme is not an easy task.

"There will be an inevitable pressure on our cash-flow," says Mr Suppiah. "We've had to go in for some short to medium-term loans. So far we have been able to raise financing at good rates. But things will be tough in the years ahead."

One problem is that Japanese banks and investment houses, the main source of aerospace funds in the Asia region, are becoming more cautious about lending. While the Malaysian banks are sitting on substantial funds, interest rates are high.

The MAS balance sheet is another problem. MAS registered pre-tax profits M$120m in 1991-92 and M$206m in 1990-91. But these figures included funds raised from aircraft sales. Take these out and there was an operating loss of M$169m in 1991 and only a small operating profit of M$38m in 1992.

What concerned analysts most about the 1991-92 figures was a 3 per cent drop in the airline's overall load factor – representing the utilisation of aircraft – to 65.9 per cent, the lowest level since the early 1980s.

Another area of concern was a rise of more than 19 per cent in staff costs.

"They seem to have exaggerated aircraft demand and they have not been careful enough about controlling labour costs," said one aviation analyst. "MAS is still seen as overly bureaucratic and government, rather than market, orientated."

MAS has forecast a substantial increase in pre-tax profits for 1992-93 to M$372m. The estimated value of aircraft sales within that figure has not been made clear.

On the plus side, the government earlier this year approved a 20 per cent increase in domestic air fares – the first such increase for a decade. However, domestic routes are unlikely to break even for some years.

It is believed passenger traffic on both domestic and international routes grew substantially in the first half of the year. But nearly 80 per cent of total revenues come from international routes and the recent appreciation of the Malaysian dollar against most currencies is likely to have eaten into profits.

"The basic problem is planning," says a regional aviation analyst. "MAS should really have started its aircraft renewal and expansion programme much earlier and phased it over a longer period. It should be teaming up with other airlines and not trying to go it alone.

"In the long term, with the potential for substantial tourism growth in Malaysia and the growth in regional passenger traffic, prospects are good. But in the short term MAS is in for a rough ride."

Sumitomo Mining down 38% at halfway

By Robert Thomson in Tokyo

SUMITOMO Metal Mining, the Japanese gold and copper producer, has reported a 38 per cent fall in first-half pre-tax profits to Y6.37bn ($52.2m), from Y10.28bn a year earlier, as orders from Japanese industrial companies slowed in tandem with the domestic economy.

Sales slipped 4.3 per cent to Y228.5bn, from Y238.68bn, with nickel sales down 28.9 per cent, and smaller falls of 2.6 and 2.3 per cent for copper and gold. Electronic equipment material sales slid 15 per cent, while those of building materials rose 12.3 per cent, reflecting a mild increase in new housing starts in recent months.

● Mitsui Mining and Smelting, a member of the Mitsui group of companies, blamed weak demand from carmakers and electrical equipment producers for a 64.3 per cent fall in first-half pre-tax profits to Y1.4bn on sales down 30 per cent at Y135.97bn.

Mitsui Mining plans to reduce capital spending this year from a targeted Y10.5bn to Y9.1bn.

For the full year, Sumitomo Metal Mining is expecting a 27.8 per cent fall in pre-tax profit to Y12bn on sales 7 per cent lower at Y440bn. Mitsui Mining forecast a 28 per cent fall in sales to Y262bn and a pre-tax profit of Y3.2bn, down 41 per cent.

Stanbic to acquire African operations of ANZ Grindlays

By Philip Gawith in Johannesburg

STANDARD Bank Investment Corporation (Stanbic), South Africa's largest bank by market capitalisation, will pay R166m ($37.8m) to acquire the African operations of ANZ Grindlays Bank.

The deal, which follows protracted negotiations, represents an important step towards re-establishing Stanbic as an important regional player.

Mr Eddie Theron, managing director, said yesterday that it was part of the group's policy of controlled international expansion which has recently seen the bank open a fully-fledged London office, purchase offshore interests in Jersey and the Isle of Man, and set up in Botswana.

Stanbic will assume equity control of ANZ Grindlays banks in Zimbabwe, Zambia, Kenya, Botswana, Uganda and Zaire, as well as significant minority stakes in Nigeria and Ghana. It is acquiring a network of 25 branches and a staff of about 1,400, all of whom will be kept on.

Stanbic will compete directly in all of these countries, except Zaire, with Standard Chartered, its former parent company until it disinvested from South Africa in the late 1980s.

Mr Theron said that, with the acquisition, the wheel had come full circle – a reference to the fact that in 1910 Standard Bank was the largest bank in sub-equatorial Africa before political developments forced it to shrink, by 1987, to a purely domestic operation.

The deal has been settled by the issue of 2.47m Stanbic shares to ANZ Grindlays which has renounced them in favour of an unnamed local institution. There will not be any impact on the financial rand, the volatile investment currency for foreigners, as the necessary currency transactions have already been concluded.

Mr Theron said the purchase price included a goodwill figure of about R3m. The price represents only about 5 per cent of Stanbic's capital and the deal will have a modest impact on profits in the short term.

China Light & Power ahead

CHINA Light & Power, the monopoly supplier of electricity to Kowloon and the New Territories of Hong Kong, yesterday reported yearly net profits up 11.4 per cent to HK$3.2bn (US$415.6m) from HK$2.8bn, writes Simon Holberton in Hong Kong.

Turnover improved 13.5 per cent to HK$13.4bn from HK$11.8bn.

TNT, Ansett face TPC action

By Kevin Brown in Sydney

AUSTRALIA'S three biggest parcel carriers – TNT, Ansett Transport Industries and Mayne Nickless – face legal action by the federal Trades Practices Commission (TPC) for alleged breaches of competition law.

Documents filed by the TPC in the federal court allege that the three companies operated a cartel to reduce price competition in the A$1bn (US$700m) a year express freight market, which they jointly dominate.

The commission is seeking financial penalties against the three companies and 19 named executives and former executives alleged to have participated in operating the cartel.

There was no comment from TNT or Ansett, which is jointly owned by TNT and News Corporation, Mr Rupert Murdoch's media group. Mr Ian Webber, chairman of Mayne Nickless said the group would "vigorously contest" the allegations.

Mr Webber said Mayne Nickless had not received a copy of the documents filed in the court. He said the company would make no further comment while the case remained sub-judice.

The commission alleges that the companies agreed not to compete on prices and rates; not to offer competitive quotes to each other's customers; and to compensate each other if customers transferred their business.

Papers filed in the court include details of a number of alleged meetings between executives from the companies, and case studies of the effect of the alleged cartel on specific customers.

● The performance of Ansett's aviation businesses is expected to improve this year, Mr David Mortimer, TNT managing director, told analysts in New York.

Mr Mortimer, who recently replaced Sir Peter Abeles, said TNT was "profoundly aware" that losses by TNT and its affiliated aviation companies in the past two years had undermined shareholders' confidence.

He said the board was "in the process of developing clear strategies and definite plans to bring the TNT group back to solid profitability".

Santos bid clears court hurdle

By Kevin Brown in Sydney

THE full bench of Australia's federal court yesterday refused to overturn an earlier decision not to grant an interim injunction blocking a A$560m (US$400m) hostile bid by Santos, the Australian energy group, for Sagasco Holdings.

The ruling followed an application by Sagasco, a rival energy group, and the Trade Practices Commission, which contended that the takeover would breach competition regulations. The decision means that Santos can proceed with the bid, but will still face a full court hearing of the substantive issues raised by Sagasco and the TPC, probably in March.

The court accepted that Santos would be capable of divesting its proposed holding in Sagasco if it was found at the substantive hearing to be in breach of the Corporations Law.

The TPC argued that the acquisition would give Santos an unacceptable monopoly over gas reserves in most of Australia. The TPC said the market power which would accrue to Santos would be increased if a parallel bid by Sagasco for Magellan Petroleum goes ahead.

Sagasco was offered for sale in mid-July when the South Australian state government put its 57 per cent stake up for tender. Sagasco shares closed four cents higher at A$2.54 while Santos shares were 1 cent up at A$2.44.

Fukutoku Bank begins rationalisation scheme

FUKUTOKU Bank, a leading second-tier regional bank based in Osaka, western Japan, has started implementing a rationalisation plan, Reuter reports from Tokyo.

"The plan aims to strengthen the financial health of the bank," it said. "It is not only smaller banks but also the big national banks that are hit by the financial slump."

Through the rationalisation, including a freeze in hiring professional staff, Fukutoku plans to cut operating expenditure by 10 per cent or about Y3bn ($24.6m) in 1993-94, starting April 1, from a year earlier, the bank said.

Fukutoku declined to comment on a report in the Nihon Keizai Shimbun newspaper that the bank's restructuring aims to boost its profits so it can bail out Shimanouchi Tochi Tatemono, an affiliated non-bank financial institution based in Osaka, that is suffering from bad property-related loans.

In 1991-92, Fukutoku posted Y4.68bn in pre-tax profits, down sharply from Y8.42bn a year earlier.

Under the one-and-a-half-year plan ending March 31 1994, Fukutoku will cut by eight the number of its offices and freeze opening of new ones. It has cut executive pay by 10 per cent from October.

Fukutoku has 142 offices in Japan, mainly in the Osaka region which, along with Tokyo, was hardest hit by the slump in the property market. It also has a branch office in New York and a representative office in Hong Kong.

Coles Myer pins its hopes on general recovery

THE performance of Coles Myer, the Australian retailing giant, hinges on the pace of the country's economic recovery, Mr Solomon Lew, chairman, has told shareholders in his annual report, Reuter reports from Melbourne.

"Our performance within Australia and New Zealand will ... be heavily influenced by the speed of economic recovery," he said.

Earlier, Coles Myer reported net profits of A$370.7m (US$259m) for the year to July 26, up from A$368.2m in 1990-91.

"The company is increasingly focusing on future development strategy as the signs of economic recovery begin to emerge. The strength of our balance sheet gives us considerable flexibility in deciding on our future growth and development options," Mr Lew added.

Mr Peter Bartels, chief executive, said Coles Supermarkets and the K mart chainseemed to have overcome problems.

Ex-BCCI unit to float

HABIB Credit and Exchange Bank, the revamped subsidiary of the former Bank of Credit and Commerce International in Pakistan, will float 49 per cent of its shares to the general public next month, Reuter reports from Karachi.

The Habib Credit and Exchange Bank (HCEBL) was formed from the three Pakistan branches of BCCI, which were merged with the government-owned Habib Bank following an agreement with BCCI's liquidators in February. HBL now owns 100 per cent of HCEBL.

HBL will retain 51 per cent of shares in the new bank, which was formally launched in Karachi, Lahore and Rawalpindi on Sunday, Mr Saleem Akhtar, chief executive said.

Mr Akhtar said HCEBL would offer 29 per cent of its shares to the public, 10 per cent to former BCCI employees and 10 per cent to the state's National Investment Trust. The shares are to be offered in December.

HBL took over the three BCCI branches in March and resumed operations in April.

Japanese car venture

ELEVEN Japanese automakers and the semi-official Japan Key Technology Centre (JKTC) are to set up a venture to develop a catalyst for reducing nitrogen oxides and carbon dioxides, Reuter reports from Tokyo.

The joint venture, to be capitalised at Y2.25bn, will be owned 70 per cent by JKTC and the rest by the carmakers.

INTERNATIONAL COMPANIES AND FINANCE

Canadian Pacific takes C$270m item for lay-offs

By Bernard Simon in Toronto

CANADIAN Pacific has taken a C$270m charge in its third quarter to cover the cost of laying off one-third of the train crews in its core railway business.

The charge, combined with higher losses from truck operations and sharply reduced income from coal mining, quadrupled the Montreal-based conglomerate's third-quarter loss to C$205.6m ($165.8m), or 64 cents a share, from C$51.8m, or 16 cents, a year earlier.

The special CP Rail charge will cover severance costs resulting from new labour agreements with unions in the US and Canada, under which the size of each train's crew will be cut from three to two. A total of 1,600 workers out of CP Rail's workforce of 27,400 people will lose their jobs.

CP is trying to improve its competitiveness, not only in its core transport operations but also in its forestry, real estate and coal mining subsidiaries. The company said yesterday that further job cuts and asset sales were in the wings.

CP's third-quarter operating loss was C$165.9m, compared with earnings of C$144.2m a year earlier. The trucking division's losses soared to C$14m from C$1.8m, reflecting declining traffic and increasingly stiff price competition. Third-quarter revenues dipped to C$2bn from C$2.5bn.

A five-month strike at Fording Coal and the difficulties of other coal mines in south-east British Columbia contributed to a C$51m slump in the rail division's revenues. CP Rail was also hit by lower iron and steel, energy and container traffic.

CP's share of losses suffered by CP Forest, its forest products subsidiary, dropped by C$21m to C$52.4m. The company said newsprint demand in the US had improved in recent months. The US pulp market also picked up, but was offset by lower demand from Europe and Japan. Demand for white paper has weakened.

PanCanadian Petroleum's operating earnings improved in the third quarter, due mainly to a 25 per cent rise in crude oil output and a 46 per cent jump in natural gas production. This was partially offset by lower prices.

For the nine months, including unusual items, the loss amounted to C$224.3m, or 70 cents, compared with a loss of C$26.2m, or 8 cents, last year.

Luscar agrees mines purchase

By Bernard Simon

LUSCAR, a privately-owned Alberta coal producer, has agreed to buy two mines in south-east British Columbia formerly owned by Westar Mining, which was Canada's biggest coal exporter until it was put into bankruptcy earlier this year.

Terms for the purchase of the Balmer and Greenhills mines were not disclosed. The sale is expected to close by mid-November.

The Westar deal, which is another milestone in the shake-out of the financially stretched Canadian coal industry, will make Luscar one of the country's biggest coal producers. The company, based in Edmonton, operates seven mines in Alberta and Saskatchewan.

The Balmer mine, which produced 5.4m tonnes in 1991, has been idle since a labour dispute halted operations last May.

Members of the United Mine Workers of America union at Balmer have accepted proposals for a new contract.

● Cominco, the Canadian base metals and fertiliser producer, returned to the black in the third quarter due to higher zinc and copper prices and improved costs at its smelter at Trail, British Columbia.

Third-quarter earnings were C$10.1m (US$8.1m), or 12 cents a share, before extraordinary items, compared with a loss of C$23.2, or 30 cents, a year earlier.

Teleglobe doubles to C$15m

By Robert Gibbens in Montreal

TELEGLOBE, Canada's international telecommunications group which has a minority held by BCE, the Canadian conglomerate, doubled profits to C$15m ($12m), or 27 cents a share, in the third quarter, compared with C$7.1m, or 13 cents, last time. The increase was achieved on revenues of C$126m, against C$105m.

Telecommunications activities accounted for the strength, while communications products and insurance systems showed a small loss.

Teleglobe has begun carrying all international traffic between Canada and Mexico formerly handled by Canadian telephone companies via US networks. It also has formed an international consortium to lay the C$400m Cantat-3 fibre optic cable between North America and Europe, and will upgrade an earth station in the Ukraine.

For the first nine months, the group reported a loss of C$68.6m, or C$1.66 a share, after special charges totalling C$91m, against net profit of C$13.7 or 28 cents a share. Revenues advanced to C$245m from C$203m.

● Power Corp of Canada has sold its 50 per cent share of the Celgar softwood pulp mill on the British Columbia coast to Venezolana de Pulpa of Venezuela.

Power said the book value of the investment was C$22.5m, and a small gain was made.

TRW to collaborate with Fiat subsidiary

By John Griffiths

TRW, the US automotive, space, defence and information technology group, and Magneti Marelli, Fiat's motor components subsidiary, have signed an agreement to collaborate on the development and sale of advanced control systems for vehicles.

Florida-based TRW Active Control Systems will provide computer-controlled "active" rear steering and suspension components and technology for Magneti to integrate into full working systems.

Active rear wheel steering and suspension systems are potentially two market growth areas for component suppliers. In the former, a system of sensors monitors factors such as speed, driver steering input and side forces.

At high speeds on motorways, an active rear steering system could automatically compensate for sudden severe side winds or the vehicle being blown off course while passing a truck.

Active suspension is expected to allow sensors to read an uneven road and compensate for it by controlling movements of the suspension – a system seen on some grand prix racing cars.

Although Magneti is 61 per cent owned by Fiat, Italy's largest industrial group, only 36 per cent of its sales are made to Fiat. It will be looking to sell the systems to vehicle makers throughout Europe. Currently its biggest single customer outside of Fiat is Renault of France.

The venture involves collaboration between existing entities within both partners. There are no plans to form a joint venture company and TRW will pursue the North American market for such systems on its own.

Magneti, headquartered near Milan but with subsidiaries throughout the world, designs, develops and manufactures a broad range of components and vehicle systems involving advanced electronics, instrumentation, lighting and air conditioning.

Fannie Mae buys $1bn of mortgages from Citicorp

By Patrick Harverson in New York

THE Federal National Mortgage Association has agreed to buy $1bn of new mortgages from Citicorp on a non-recourse basis, an indication that credit standards at the bank's troubled mortgage unit may be improving.

Although Fannie Mae has bought non-recourse mortgages in the past from many other US banks, the deal is the first between the company and Citicorp.

Buying mortgages on a non-recourse basis means that if some of the loans should sour, Fannie Mae cannot return them to Citicorp.

It also means that the bank does not have to set aside capital against the sold mortgages, as would be required with normal transactions.

Citicorp said the deal would save the bank about $25m in capital costs.

Industry analysts said that the deal was a sign that market confidence in the quality of Citicorp's mortgage portfolio may be growing.

For years, financial institutions have only bought mortgages from Citicorp that could be returned to the bank in the event of default.

Only a few months ago, a government examiner's report on Citicorp was highly critical of its mortgage unit, a report that underlined the credit problems at the bank.

It is believed that Fannie Mae agreed to buy the $1bn of mortgages because they were originated recently.

In the past year, Citicorp has dropped its old strategy of trying to build volume by originating loans with a minimum of documentation about the borrower, and has significantly raised its standards for mortgage seekers.

Citicorp originates about $8bn of new mortgages every year, and most of them have been sold in the secondary market on a recourse basis.

However, some institutions continue to boycott Citicorp mortgages.

The Federal Home Loan Mortgage Corporation, Fannie Mae's main competitor, refuses to resume any kind of mortgage deals with the bank until Citicorp has addressed "control and management issues" at its mortgage unit.

Hollywood studio boss resigns

By Alan Friedman in New York

MR RUPERT MURDOCH'S Twentieth Century Fox suffered its second high-level executive departure of the year when Mr Joe Roth, chairman of the Hollywood studio, said he would resign on January 1 1993 to form his own film production company at The Walt Disney Studios.

Last February, Mr Murdoch assumed direct management responsibility for the Hollywood studio and the Fox television network following the resignation of Mr Barry Diller, who had been chairman and chief executive since 1984.

Mr Roth's resignation, like that of Mr Diller, caught the US entertainment industry by surprise. It also kindled speculation Mr Roth might have been concerned at the increasingly hands-on management role played by Mr Murdoch. Neither Mr Roth nor Mr Murdoch could be reached for comment last night.

Mr Roth, who joined Fox in 1989, was responsible for several films that generated hefty revenues.

Among the most profitable films he helped to make was Home Alone, last year's blockbuster.

Under the agreement with Disney, Mr Roth will produce at least 25 films that will be distributed by Buena Vista Pictures Distribution, under Disney studio banners including Touchstone and Walt Disney Pictures.

Mr Michael Eisner, chairman of Disney, said the studio was pleased to be Mr Roth's "financial partner" and praised his "proven track record".

Mr Roth said he had known both Mr Eisner and Mr Jeffrey Katzenberg, the Disney studio head, for the past 10 years.

Turkey offers 20% stake in Netas

By John Murray Brown in Ankara

THE TURKISH Government is offering to sell its 20 per cent share in Netas, the local subsidiary of Northern Telecom of Canada, plus stakes in four other companies in an attempt to revive its flagging privatisation programme.

The five companies are expected to raise TL641bn ($85.3m). Bids have to be submitted by December 1.

The Public Participation Administration, which handles the sale of state assets to the public, plans to make sales worth TL5,500bn in 1992, including the sale of 11 state cement companies. Bids for these are closed.

Netas, listed on the Istanbul stock exchange, is Turkey's second-largest telecommunications manufacturer and has recently concluded a deal to supply digital switches to Azerbaijan.

The company said yesterday Northern Telecom, which owns 51 per cent, was expected to make an offer for the government stake. A balancing 29 per cent stake owned by the PPA is to be sold by public offering to local investors before the new year.

PPA's 18 per cent stake in Teletas, another telecommunications manufacturer, is to go on sale this month, after talks with Alcatel, its French majority partner broke down.

Norwegian radiology group rises 25%

By Karen Fossli in Oslo

HAFSLUND NYCOMED, the Norwegian group which makes radiology products, yesterday reported a 25 per cent increase in nine-month pre-tax profit to NKr1.12bn ($185m).

Group operating revenue rose by NKr271m to NKr4.25bn, as operating profit – before research and development expenses – increased by NKr181m to NKr1.72bn.

Research and development expenses fell to NKr119m from NKr155m in the third quarter, but Hafslund warned that for the fourth quarter they were likely to be significantly higher.

Hafslund reported a fall in financial expenses to NKr138m for the nine months from NKr257m a year ago as net interest expenses declined to NKr78m from NKr179m.

However, the group was forced to write down the value of its bond portfolio by NKr36m because of a third-quarter interest rate increase.

NWA seeks funds with jet leaseback deal

NWA, parent of Northwest Airlines, is seeking to raise $700m to $900m in debt through bond financing and sale of assets, a source familiar with the plans said, Reuter reports from Chicago.

The bulk of the funds, roughly $600m to $700m, would flow from the sale of 27 wide-body jets to investors that would be leased back, the source said. The aircraft are collateral for bank loans, and lenders would have to agree to the sale.

A further $300m would come from bond financing.

The company's plans call for selling the jets to a special subsidiary that would raise cash backed by debt secured by the aircraft.

The 27 aircraft tagged for sale have a market value of about $1bn.

INTERNATIONAL COMPANIES AND CAPITAL MARKETS

Uni Storebrand to recapitalise after NKr1.36bn loss

By Karen Fossli in Oslo

UNI STOREBRAND, Norway's biggest insurance group which was taken over by public administrators in August, yesterday disclosed losses of NKr1.36bn ($216m) for the first eight months of this year and announced plans for a recapitalisation.

The loss was reported by Uni Storebrand New, established after the collapse of the old Uni holding company. Uni blamed the loss on a NKr2.8bn write-down of its NKr4.7bn stake in Skandia Forsakring. Uni acquired the Skandia shareholding last year. In the process running up borrowings of NKr4.5bn which led to it being ruled technically insolvent.

Uni Storebrand New charged NKr1.45bn of the total Skandia write-down against eight-month accounts. Mr Erik Keiserud, the chairman of Uni's state-appointed administration board, said plans for the recapitalisation of the group called for NKr3.4bn of fresh equity.

The plan is based on a valuation of the group estimated at between NKr700m and NKr1.65bn by Credit Suisse First Boston and Oslo-based Elcon Securities. The valuation is linked to the group remaining intact.

Mr Keiserud said the plan, discussed yesterday with Uni's creditors, called for about 70 per cent of group debt, or an estimated NKr2.4bn, to be converted into equity or some other form of core capital.

To meet capital adequacy requirements, Uni needs about NKr2.9bn but the administration board is seeking to raise NKr500m as a safety buffer which would give a capital ratio in excess of 5 per cent by the end of the year.

Uni's recapitalisation plan also calls for NKr1bn to be raised through a share offering and for the remainder of the debt to be restructured with new maturity and interest rates.

Elkem rescue package planned by Norway

By Karen Fossli

NORWAY'S Industry Ministry hopes this week to unveil final details of a proposed NKr1bn ($159m) rescue package for Elkem, the troubled light metals group.

Elkem recently reported a 60 per cent increase in nine-month pre-tax losses, after extraordinary items, to NKr307m and said its equity to debt ratio had sunk to below 20 per cent from 22 per cent since January.

Elkem is in discussions with its two biggest shareholders, Saga Petroleum and the Orkla foods group, and Den norske Bank and Fokus Bank to create a package comprised of fresh equity capital, new loans and the postponement of old debt.

Elkem is also expected to announce a rights issue to raise up to NKr500m of which an estimated NKr125m would be guaranteed by the state and the balance guaranteed by Saga and Orkla.

If the state is forced to supply NKr135m in fresh capital to Elkem, it would then own an estimated 30 per cent stake in group.

Elkem is also expected to be allowed to postpone repayment of a NKr270m state loan, due next year, which the group used to acquire a 45 per cent stake in former state-owned Norsk Jern Holding.

Discussions centre on the possibility of writing down the value of Elkem's shares by 50 per cent. In addition, Den norske Bank and Fokus Bank have been asked to provide the group with a long-term loan of up to NKr500m, which would cover Elkem's debt due next year.

Russia to copy UK regulatory structure

By Tracy Corrigan

MR Andrei Kashevarov, head of the Commission for Russian Exchanges, has decided to create a regulatory system based on the structure of the UK's Securities and Investments Board.

A bill placing the development and control of all Russian exchanges under the commission, responsible directly to the president, will be developed by Financial Research Associates, an emerging markets consultancy, which is helping the Russians build up their financial framework under a UK government Know-how Fund programme.

The move was urgently needed "to halt the slide of financial deregulation towards organised crime on one hand and ... to establish responsible exchanges on the other," said Mr Tim Lewin, managing director of FRA.

The draft bill is expected to go before the Russian parliament before the end of the year.

There are currently 300 exchanges in Russia, but most will evolve into markets for goods, while only a few will become commodity or financial exchanges, according to Mr Lewin.

The decision to follow the British model was reached after a series of meetings with the UK authorities during the International Organisation of Securities Commissions' annual meeting in London last week. Mr Kashevarov was accompanied by Mr Vitali Kulakovatras, a member of the Russian parliament's committee for economic reform.

The regulatory structure "will provide broad international standards of regulation and a clear chain of command," said Mr Kashevarov.

● Spanish stockbroking firms' profits slumped in the first nine months of the year, Reuter reports from Madrid. The Madrid stock exchange's 50 members made a profit of Pta2.14bn ($19.6m) up to the end of September, down 82 per cent on the same period last year.

Bankers and brokers breach crumbling walls

Patrick Harverson on the link in the US between NationsBank and Dean Witter

LAST week's announcement that NationsBank and Dean Witter are joining forces to run a securities brokerage firm is further evidence that the walls which have divided the US banking and securities businesses for more than half a century are crumbling.

Although by law the two industries are meant to be kept strictly apart, the reality is quite different.

A handful of the country's most securely-capitalised banks, notably JP Morgan and Bankers Trust, are allowed to underwrite and trade stocks and bonds just like any Wall Street securities firm. Some of the biggest broking houses and fund groups, such as Merrill Lynch and Fidelity, provide individual investors with a variety of services that mirror those available in banks. And many commercial banks offer mutual funds and other investment products to their customers.

The Glass-Steagall Act of 1933, which enshrined the separateness of the banking and securities businesses, is looking more and more redundant as regulators, under pressure to promote competition in the financial services industry, gradually allow banks and broking firms into each other's territories.

NationsBank and Dean Witter have stepped into this evolving business environment with gusto. NationsBank is one of the largest banks in the US, and under the leadership of its ambitious chairman, Mr Hugh McColl, has earned a reputation for bold and innovative expansion.

Dean Witter is also well respected within its industry. A large Wall Street securities house with a strong presence in retail stockbroking and a highly profitable credit card operation, Dean Witter is currently owned by the nationwide retail group, Sears, Roebuck. Next year, however, it is due to be sold to Sears' shareholders. The link with NationsBank can be seen in the context of a company looking to develop new businesses in advance of its independence. It was Dean Witter, after all, which approached NationsBank with the idea in the first place.

The result of their union is Nations Securities, a firm that will be unlike anything else seen in the US securities or banking industries. The new operation's 400-strong army of brokers – half provided by NationsBank and half by Dean Witter – will not be manning telephones from a smart new headquarters in New York, or hustling stocks to individual investors through a network of broking offices.

Instead, Nations Securities' brokers will be spread around hundreds of NationsBank branches across the southern and south-western states, selling a wide range of securities and investment products to regular bank customers. There are plans ultimately to syndicate services to other banks in the US.

Like their counterparts in the securities industry, banks have been eager to build fee income from asset management to act as a counterweight to the more volatile earnings they make on their traditional business.

Hugh McColl: earned a reputation for expansion

Banks, however, have another incentive. In the past two years they have endured the sight of customers, unhappy with low yields on their bank products, moving their cash into stocks, bonds and funds in search of higher returns.

This outflow of funds has been caused by extremely low US interest rates, and while at some stage in the medium term rates will doubtless come back up, longer-term demographic trends spell further trouble for banks.

As a way round the problem the US banks have been trying to build up their asset management business, selling their own families of mutual funds through small securities subsidiaries. The strategy has had only a limited success.

A key difficulty for banks has been a lack of experience in handling and selling investment products. Ms Nancy Bush, analyst with Brown Brothers Harriman in New York, says: "It's very difficult to develop an investment-oriented culture within a commercial bank."

The link-up with Dean Witter should help solve that problem. The new operation will be run outside the bank structure, which should make it easier to create an environment suited to selling securities. There will also be a lot of new products to sell to customers, including fixed-income securities, municipal bonds, and individual stocks, as well as the large family of funds managed by Dean Witter.

NationsBank has chosen in Dean Witter a firm with an extensive retail network, a strong sales culture and well-established asset management business. When asked what the bank gets from its new partner, Mr Dick Stilley, director of corporate communications at NationsBank, says: "We gain more brokers, an infrastructure, a training programme and people who've been in this business a very long time."

NationsBank's chairman, Mr Hugh McColl, has already said he expects the venture to move the bank forward about 10 or 20 years in the asset management and securities broking business.

The main attraction for Dean Witter is the access it will have to NationsBank's extensive customer base. Studies show that 80 per cent of bank customers in the US do not own investment products, so there is plenty of room for new growth.

This is not the first time Dean Witter has attempted to sell securities products in an alien environment. The first, which involved the firm's brokers manning kiosks in Sears, Roebuck stores, failed. The setting of a bank branch, however, is much more conducive to the promotion of investment products.

NationsBank has high hopes for the new venture. It expects the firm to break even in 1993, and within five years it should be contributing $50m to $60m to the bank's profits, which last year totalled $480m. The bank's existing small securities subsidiary, NationsBank Securities, will be merged into the new joint venture, which will be run by Mr Vincent Walls, a senior vice-president from Dean Witter.

Analysts are sceptical that the link-up between NationsBank and Dean Witter will lead to a rash of similar ventures between banks and broking houses. The new company's first year will be watched closely by both banks and securities firms, says Ms Bush. "I think people are willing to let NationsBank be something of a test case."

NatWest buys Chicago broker

By Tracy Corrigan

NATIONAL Westminster Bank has bought the Chicago-based futures and option broker, Burns Fry Futures, after receiving approval from the US Federal Reserve Board.

The move demonstrates the bank's "commitment to the establishment of an international futures and options clearing, execution, and broking service," said Mr Martin Owen, chief executive of NatWest Markets.

NatWest announced its intention to acquire Burns Fry Futures in July 1991. Burns Fry, the Canadian securities firm, will retain a nominal interest in the operation.

Burns Fry Futures, which was formerly owned by Security Pacific, will be integrated into NatWest Futures.

The firm has a presence on the Chicago Board of Trade and the Chicago Mercantile Exchange. NatWest Financial Futures previously had no activities in the US futures markets, but is active on a number of European and Japanese exchanges.

"This is the first stage of a broad review of our futures strategy," said Ms Victoria Ward, who was hired from the London International Financial Futures and Options Exchange at the start of the year with the brief of creating a global strategy for NatWest's futures business.

BCI to issue CDs to help widen funding flexibility

By Haig Simonian in Milan

BANCA Commerciale Italiana (BCI), one of Italy's leading banks, is launching a Certificate of Deposit programme worth up to $1bn on the US market in a further widening of its borrowing options.

The CDs, issued by BCI's New York branch, will be in either "senior" or "subordinated" form and can be in a variety of currencies.

Maturities on the paper, to be issued in either fixed or floating-rate form, will be up to 30 years.

The latest deal resembles the highly flexible $750m Euro-depositary receipt programme the bank inaugurated in March, which involved maturities of between three months and 30 years and a variety of currencies.

The new transaction, organised by Merrill Lynch, has four leading US investment banks as agents.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, November 2, 1992. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.8057	41.3111	52.3056
Albania	(Lek)	170.05	111.035	70.7804	89.6179
Algeria	(Dinar)	33.3315	21.7639	13.8736	17.566
Andorra	(Fr Fr)	8.1450	5.3183	3.3902	4.2924
	(Sp Peseta)	170.50	111.329	70.9677	89.855
Angola	(Kwanza)	903.85	590.175	376.212	476.337
Antigua	(E Carr $)	4.1740	2.7254	1.7373	2.1997
Argentina	(Peso)	1.5210	0.9931	0.633	0.8015
Aruba	(Florin)	2.7675	1.807	1.1519	1.4584
Australia	(Aus $)	2.2330	1.458	0.9294	1.1768
Austria	(Schilling)	16.885	11.0251	7.028	8.8985
Azores	(Port Escudo)	214.35	139.961	89.2195	112.964
Bahamas	(Bahama $)	1.5315	1	0.6374	0.8071
Bahrain	(Dinar)	0.5670	0.3852	0.2443	0.3095
Balearic Is	(Sp Peseta)	170.50	111.329	70.9677	89.855
Bangladesh	(Taka)	60.55	39.5364	25.2029	31.9104
Barbados	(Barb $)	3.1095	2.0303	1.2942	1.6387
Belgium	(Belg Fr)	49.45	32.2886	20.5827	26.0606
Belize	(B $)	3.0920	2.0189	1.2869	1.6295
Benin	(CFA Fr)	407.25	265.916	169.511	214.625
Bermuda	(Bermudian $)	1.5315	1	0.6374	0.8071
Bhutan	(Ngultrum)	43.60	28.4688	18.1477	22.9776
Bolivia	(Boliviano)	6.2225	4.063	2.59	3.2793
Botswana	(Pula)	3.3520	2.1887	1.3952	1.7665
Brazil	(Cruzeiro)	12338.0	8056.15	5135.48	6502.24
Brunei	(Brunei $)	2.4998	1.6322	1.0404	1.3174
Bulgaria	(Lev)	43.00	28.077	17.898	22.6613
Burkina Faso	(CFA Fr)	407.25	265.916	169.511	214.625
Burma	(Kyat)	11.3075	7.3832	4.7065	5.9591
Burundi	(Burundi Fr)	354.40	231.407	147.513	186.772
Cambodia	(Riel)	3092.00	2018.94	1286.99	1629.51
Cameroon	(CFA Fr)	407.25	265.916	169.511	214.625
[illegible]					
Gabon	(CFA Fr)	407.25	265.916	169.511	214.625
Oman	(Rial Omani)	0.5995	0.3914	0.2495	0.3159
Zimbabwe	($)	8.1705	5.3349	3.4008	4.3059

Special Drawing Rights October 30, 1992 United Kingdom £0.896080 United States $1.40595 Germany D Mark 2.16095 Japan Yen173.213
European Currency Unit Rates October 30, 1992 United Kingdom £0.815887 United States $1.27874 Germany D Mark 1.96542 Japan Yen157.451

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (g) Financial rate; (h) Exports, (i) Non commercial rate, (j) Business rate, (k) Buying rate; (l) Luxury goods; (m) Market rate; (n) Public transaction rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate, (s) Selling rate; (t) Tourist rate (u) Currencies fixed against the US Dollar (v) Floating rate; ‡ CIS applies to states in the Rouble Zone
Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 071 634 4360/5.
Monday, November 2, 1992

INTERNATIONAL CAPITAL MARKETS

Investors on sidelines as politics dominate trading

By Patrick Harverson in New York and Sara Webb in London

ALTHOUGH US Treasury market investors kept their attention fixed primarily on today's presidential election, bond prices eased across the board yesterday in the wake of some unexpectedly strong economic news and uncertainty about the next refunding operation.

GOVERNMENT BONDS

In late trading, the benchmark 30-year government bond was down ¾ at 95 1/32, yielding 7.653 per cent. The two-year note was also lower, down 1/32 at 99 18/32, yielding 4.449 per cent. Turnover was reported to be light.

Politics dominated the day's trading, with many investors remaining on the sidelines ahead of today's polling. The latest polls, showing a slight widening in Governor Clinton's lead over President Bush, had a slight dampening effect on sentiment, adding to the downward pressure on prices.

The market, however, has already discounted the impact of a Democratic victory, so the declines were limited.

The day's economic news was also mostly ignored, although there was some selling after the National Association of Purchasing Management reported its index of manufacturing activity rose to 50.6 per cent in October, up from 49.0 per cent the month before. Analysts had been expecting a smaller rise in the index.

Prices were also slightly depressed by concern over the size of the Treasurys' November refunding programme, which some investors fear may be bigger than anticipated.

■ UK government bonds tumbled by more than a point at the long end as political uncertainty and concern over the level of public spending took their toll in London.

Dealers said the gilt market fell early in the day on fears that the Public Sector Borrowing Requirement would be larger than expected following reports that some Cabinet members are pushing for increased public spending to meet the rising cost of unemployment, increasing welfare benefits and cost of the incoming council tax. "There is concern about the level of public spending and the fear is that part of the resolution could be a higher PSBR" said Mr John Shepperd, economist at S. G. Warburg Securities.

Adding to the poor market sentiment were worries about tomorrow's vote on the Maastricht Bill in the House of Commons which paves the way for ratification of the Maastricht treaty on European union. The result is expected to be close, given the Conservative Euro-sceptics' threat to wipe out the government's majority in Parliament.

The gilt yield curve showed a marked steepening yesterday as long-dated issues fell by a point or more, while shorter-dated issues ended either unchanged or slightly higher.

The 9 per cent gilt due 2008 traded at 102 22/32 by late afternoon, down 18/32 from late Friday. Among short-dated gilts, the 10 per cent gilt due 1996 traded at 109 21/32 late in the day, up 1/32. The Liffe gilt futures contract traded below its Friday closing level of 101.00, ending at 100.11 in relatively low volume.

■ GERMAN government bonds ended the day slightly firmer, but activity in the market was subdued due to public holidays in much of Europe.

Dealers said investor interest was focused mainly on five-year issues, with the DTB medium-dated bund futures contract showing a wider trading range than Liffe's long bund rival. The DTB contract rose from Friday's level of 95.54 to end at 95.70 yesterday.

Although the bund market rose on Friday on news that Bonn would not launch any more Federal bunds this year, dealers said the market had not ruled out further issues by agencies such as the Treuhand and Unity Fund. Treuhand, the privatisation agency, is expected to issue another 10-year bond by the end of the year.

Elsewhere in Europe, the Bank of France cut its two key interest rates by a quarter of a point, but trading activity was light due to the All Saints Day holiday. Although the Matif futures exchange was closed, cash bonds were quoted higher after the rate cuts with the 10-year OAT yielding 8.17 per cent against 8.21 per cent on Friday.

■ JAPANESE government bonds ended firmer, but activity in the market was lacklustre ahead of a national holiday in Japan and US presidential election today.

The yield on the benchmark No 145 opened at 4.715 per cent, corresponding to the low price of the day, and moved to 4.69 per cent, but the bond later slipped to yield 4.695 per cent. In the futures market, the December contract reached a high of 107.59, but fell to end at 107.57, up from its close of 107.49 on Friday.

Short-term money market rates eased slightly with the overnight call money rate dipping below 4 per cent again, to trade mostly at 3 31/32 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.8481	-0.114	8.95	8.85	8.90
BELGIUM		8.750	06/02	103.7800	-	8.16	8.15	8.53
CANADA *		8.500	04/02	105.2800	-0.550	7.71	7.29	7.38
DENMARK		9.000	11/00	100.5500	+0.230	8.90	8.85	9.61
FRANCE	BTAN	8.500	03/97	101.2850	+0.215	8.11	8.24	8.73
	OAT	8.500	11/02	102.1650	+0.000	8.17	8.26	8.63
GERMANY		8.000	07/02	104.1150	+0.110	7.39	7.35	7.38
ITALY		12.000	05/02	93.8000	+0.025	13.60†	13.91	14.18
JAPAN	No 119	4.800	06/99	100.9651	+0.025	4.61	4.70	4.64
	No 145	5.500	03/02	105.2769	+0.170	4.69	4.80	4.80
NETHERLANDS		8.250	09/02	104.4700	+0.075	7.57	7.57	7.74
SPAIN		10.300	06/02	86.9000	-1.200	12.70	12.36	13.43
UK GILTS		10.000	11/96	109-21	[illegible]	7.19	7.18	8.52
		9.750	08/02	109-23	-1 1/32	8.27	8.24	9.08
		9.000	10/08	102-10	-1 3/16	8.73	8.82	9.39
US TREASURY *		6.375	08/02	98-16	-18/32	6.87	6.61	6.56
		7.250	08/22	95-05	-12/32	7.66	7.62	7.38
ECU (French Govt)		8.500	03/02	97.8500	-0.050	8.82	8.79	9.34

London closing. *New York closing. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

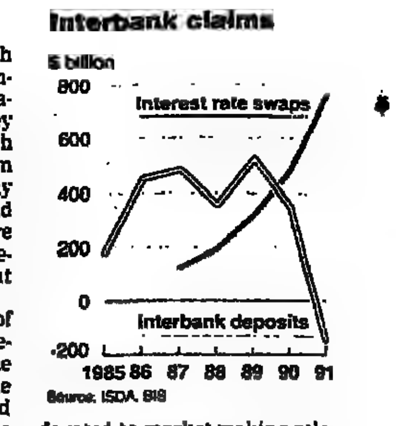
BIS highlights shift in nature of risks run by banks

By Richard Waters

BANKS' dealings with each other through wholesale financial markets used to be relatively straightforward. They deposited money with each other or undertook foreign exchange transactions in a way that was easy for banks and their regulators to measure and control – even if sometimes those controls went awry.

Not any more. The extent of the transformation in wholesale financial markets, and the difficulties thrown up for the control of risks, is highlighted in a report* published this week by the Bank for International Settlements, the central bankers' club which has its headquarters in Basle, Switzerland.

The scale of the transformation is illustrated by the chart. The traditional interbank deposit market, which grew at a compound average rate of more than 13 per cent through the mid and late-1980s, went into reverse in 1991. Concerns about the credit quality of other banks was one reason, the need to use capital more efficiently following the Basle capital adequacy accord another. Equally significant, however, has been the development of financial instruments that offer a more efficient way for banks to hedge their risks or take positions in markets. As the chart shows, banks' exposure to each other through interest rate swap contracts has continued to climb.



According to the BIS paper, written after interviews with 68 of the most active participants in wholesale financial markets, the nature of the risks run by banks has shifted markedly. Market risk has shrunk as ever more sophisticated ways have been developed for limiting exposure to general market movements. But three other types of risk have become more acute:

● Liquidity risk – the danger of not being able to deal without moving market prices significantly – has grown due to a number of factors, the BIS says. There is less capital devoted to market-making relative to the total capital at risk in wholesale financial markets, for instance, meaning market-makers can be swamped by one-way market movements.

This has been accentuated by the concentration of market share, which has seen a small number of institutions with high credit ratings become the biggest participants in each of the markets. Problems with any one of them could spread across a number of markets simultaneously.

● Growth in trading volumes has increased settlement risk. Some banks have responded by spreading their dealings across a number of exchanges to reduce their exposure to failure by a single clearing house, but the BIS concludes: "There are limits to what individual participants can do to limit settlement risk."

● Credit risks have become more difficult to assess thanks to "deficiencies in information regarding counterparties' off-balance sheet exposures and the inseparability in many OTC derivative instruments of the size of potential credit exposure and price developments."

The report calls for better international netting systems and greater financial disclosure to help reduce the risks, as well as greater attention among banks and regulators to the exposures being created.

*Recent Developments in International Interbank Relations, *Bank for International Settlements, Basle.*

Rate cut helps lift gilts

By Sara Webb

FALLING interest rates and an increasing emphasis on economic growth helped to boost UK government bond prices last month, making the gilt-edged securities market the top-performing government bond market in local currency terms in October.

Gilts gained 5.59 per cent last month, and have risen by 17.27 per cent in the year to date, according to figures compiled by J. P. Morgan.

The gilt market rallied on the combination of hopes of lower interest rates following sterling's departure from the European exchange rate mechanism, the release of poor economic data, and the government's determination to implement a strategy for growth. The base rate was cut from 10 per cent to 9 per cent on September 22, and by a further percentage point to 8 per cent on October 16.

Spain, Denmark and the Ecu were the next best performing bond markets in local currency terms, with gains of 5.12 per cent, 4.35 per cent and 4.16 per cent respectively.

FT FIXED INTEREST INDICES

	Nov 2	Oct 30	Oct 29	Oct 28	Oct 27	Year ago	High *	Low *
Govt Secs	93.78	94.44	94.35	94.18	93.93	86.50	94.36	85.11
Fixed Interest	107.91	108.59	108.33	107.71	108.06	98.16	108.33	97.15

Basis 100: Government Securities 15/10/26; Fixed Interest 1928.
* for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 108.33 (29/10/92), low 50.53 (3/1/75).

GILT EDGED ACTIVITY

	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26
Gilt Edged Bargains	268.7	253.0	238.5	206.8	196.2
5-Day average	232.6	216.1	197.9	191.4	183.9

Indices SE activity 1974

Ireland makes SFr150m private placement

By Brian Bollen

THE Republic of Ireland's continuing foreign currency borrowing programme provided the highlight of yesterday's international bonds activity.

INTERNATIONAL BONDS

Ireland made what should be its last appearance of the year in the Swiss franc market with a SFr150m eight-year private placement through Swiss Bank Corp, which says the 6½ per cent coupon is broadly in line with the republic's two other recent transactions in that market. These were for a total of SFr250m over 10 years.

While Ireland's foreign currency reserves are thought to have survived the recent currency dramas in better shape than those of many of its European neighbours, the republic has also recently issued two 10-year bonds, raising a total of DM500m over 10 years.

Two minor capped and collared deals dominated what US dollar activity there was. Lehman Brothers announced a $100m 10-year floating rate note for Crédit Local de France, to take advantage of what it described as the demand for discounted FRNs from top quality credits.

The interest rate will be set at 25 basis points below six-month Libor, with a collar of 5 per cent and cap of 8¼ per cent. Credit Suisse First Boston reopened a cap and collar 10-year FRN for Banque Nationale de Paris, issuing a further $75m tranche. It was priced at 99.75, compared with par for the original $150m in late September.

The spate of issues by Mexican borrowers continues with a $150m five-year bond issue from Consorcio Grupo Dina, Mexico's largest truck manufacturer. Salomon Brothers will price the issue today at a spread of 450-475 basis points over comparable US Treasury bonds and target the issue at high yield accounts in Europe and the Far East.

While there is some criticism of this sector centring on the recent volume of supply, bankers involved are arguing that institutional demand is growing to reflect the broader Mexican corporate supply.

The growth in supply means that spreads are widening and that the buyers can afford to be more discriminating, they say.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Crédit Local de France(a)‡	100	(a)	99	2002	50/25bp	Lehman Bros.Int.
BNP(b)‡	75	(b)	99.75	2002	50/25bp	CSFB
Tsurumi Manufacturing(c)♦	50	1.625	100	1996	2¼/1½%	Daiwa Europe
D-MARKS						
Sasaki Glass Co.(d)♦★★	30	(d)	100	1997	-	Sakura Bk(Deutch.)
SWISS FRANCS						
Republic of Ireland★★	150	6.5	101.5	2001	-	Swiss Bank Corp.

Final terms and non-callable unless stated. ★★Private placement. ♦With equity warrants. ‡Floating rate note. a) Coupon pays 25bp below 6-month Libor. Minimum coupon 5%, maximum 8¼%. b) Fungible with $150m issue launched on 22/9/92 from 23/11/92. Plus 33 days accrued interest. Coupon pays 12.5bp below 6-month Libor. Maximum coupon 5%, minimum 8¼%. c) Final terms fixed on 9/11/92. d) Coupon pays 40bp above 6-month Libor.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on November 2

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 94	200	106⅝	107⅛	-⅛	5.04
ALBERTA PROVINCE 9 3/8 95	600	109⅝	110¼	-⅛	5.68
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ENERGIE BEHEER 8 3/4 98 Fl	500	106⅛	107	+⅛	7.37
UNILEVER 9.00 Fl	500	108⅛	108⅝	-⅛	7.51
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day = Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread = Margin above six-month offered rate (three-month above mean rate) for US dollars. C.cpn = The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem = Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	9	65	4
Other Fixed Interest	0	10	5
Commercial, Industrial	344	187	890
Financial & Property	259	73	472
Oil & Gas	17	14	54
Plantations	2	0	7
Mines	14	23	110
Others	61	24	32
Totals	706	396	1,574

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
§	F.P.	–	201	180	Chubb Security	189	+2	L2.8	2.9	2.0	20.9
165	F.P.	–	213	193	Dorling Kindersley	211		L1.0	2.6	1.9	20.2
–	F.P.	–	103	100	For. & Col. PEP Inv Tst.	102		F3.38	–	4.4	–
–	F.P.	–	33	31	Jos Hldgs Cap	31	-2	–	–	–	–
–	F.P.	–	92	90	Do. Inc.	91	-1	F11.5	–	16.8	–
–	F.P.	–	104½	101	Do. Zero Div Pf	104	+½	–	–	–	–
130	F.P.	–	158	140	Linx Printing Techs	148		L2.6	2.8	2.3	17.6
120	F.P.	–	192	157	‡Tepnel Diagnostics	171	-1	–	–	–	–
120	F.P.	–	137	126	Trinity	134	-3	R5.4	1.9	5.5	12.6
45	F.P.	–	51	47	Vardon	49		b0.75	3.3	2.0	12.3
165	F.P.	–	172	167	Wetherspoon (J.D.)	168	+1	[illegible]	2.6	3.8	13.6

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+ or -
100p	F.P.	-	105¼p	104¼p	Bristol Water 8¾pc Pf	105¼p	+¼
100p	F.P.	-	110¼p	105¾p	Fulcrum Inv Tst Zero Div Pf	110¾p	+¼
100	F.P.	-	106¾	104¼	NFC 7¼pc Cv. Bd. 2007	106¼	-¼

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+ or -
78	Nil	10/11	1½pm	1¼pm	Capital Inds	1½pm	
295	Nil	1/12	45pm	27pm	Greenalls	35pm	+7
150	Nil	–	80pm	68pm	‡Haemocell	69pm	-3
335	Nil	22/12	52pm	9pm	Wagon Ind	9pm	-1

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. r Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. N Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ‡ Issued by way of capitalisation. ‡ Introduction. § Placing price. ‡‡ Reintroduction. ‡ Unlisted securities market. ‡ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

● First Dealings Oct 26
● Last Dealings Nov 6
● Last Declarations Jan 28
● For settlement Feb 8

3-month call rate indications are shown in Saturday editions.

Calls in: Aerospace Eng., Amber Day, Birse Group, Brit. Steel, Erskine House, Hanson Wrnts., Simon Eng., Tarmac, Taylor Woodrow, Whitecroft. Put in: Cook (Wm.)

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls			Puts		
Storehouse (*167)	180	5½	9	13	17	20	23
Trafalgar (*83)	80	10	14	17	6	8	11
	90	5½	8½	13	11	13	16
Utd. Biscuits (*339)	330	23	25	30	10	19	22
	360	7	12	18	27	37	39
Unilever (*1098)	1050	67	90	102	14	22	33
	1100	37	60	75	34	41	55

Option		Nov	Feb	May	Nov	Feb	May
Brit. Aero (*142)	140	12	23	26	9	18	27
	160	3½	15	26	22	30	40
Barclays (*348)	330	24	35	38	7	19	23
	360	9	20	23	21	35	39
Blue Circle (*175)	160	22	31	35	6	12	20
	180	11	22	25	15	22	31
British Gas (*273)	260	18	26	27	3	6	11
	280	6	14	16	11	14	21
Dixons (*219)	200	23	29	35	4	10	12
	220	11½	20	26	10	18	21
Eurotunnel (*356)	330	36	51	62	8	18	25
	360	20	36	47	20	31	39

[illegible]

PUTS

Nov	3	6	10	15	29	52	84	124
Dec	11	17	25	35	50	71	100	134
Jan	19	26	34	49	66	88	115	146
Feb	25	33	43	58	77	100	126	157
Jun †	–	52	–	80	–	123	–	178

November 2 Total Contracts 22,749
Calls 11,502 Puts 11,247
FT-SE Index Calls N/A Puts N/A
Euro FT-SE Calls N/A Puts N/A
*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Mon Nov 2	Day's change %	Fri Oct 30	Accrued interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	128.09	+0.02	128.35	1.56	10.99
2	5-15 years (25)	145.46	-0.55	146.27	1.76	11.85
3	Over 15 years (8)	151.69	-1.04	153.28	2.60	9.97
4	Irredeemables (6)	167.46	-1.85	170.62	0.10	13.45
5	All stocks (61)	141.87	-0.43	142.60	1.79	11.57
	Index-Linked					
6	Up to 5 years (2)	183.55	-0.15	183.83	0.35	3.68
7	Over 5 years (10)	167.80	-0.76	169.09	0.88	4.04
8	All stocks (12)	168.73	-0.68	169.89	0.81	3.96
9	Debs & Loans (62)	122.04	-0.93	123.56	1.92	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Mon Nov 2	Fri Oct 30	Year ago (approx.)
	British Government				
1	Low	5 years	7.04	7.00	8.67
2	Coupons	15 years	8.31	8.25	9.55
3	(0%-7¾%)	20 years	8.60	8.52	9.55
4	Medium	5 years	7.40	7.35	9.79
5	Coupons	15 years	8.68	8.56	9.69
6	(8%-10¾%)	20 years	8.93	8.80	9.65
7	High	5 years	7.66	7.65	10.00
8	Coupons	15 years	9.01	8.86	9.78
9	(11%-)	20 years	9.13	8.97	9.71
10	Irredeemables†		9.01	8.84	9.75
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs	2.40	2.34	3.85
12	Inflation rate 5%	Over 5 yrs	3.72	3.67	4.24
13	Inflation rate 10%	Up to 5 yrs	1.62	1.57	3.24
14	Inflation rate 10%	Over 5 yrs	3.55	3.49	4.07
15	Debs &	5 years	8.80	8.73	11.44
16	Loans	15 years	9.95	9.81	11.23
17		25 years	10.15	10.03	11.03

† Flat yield.

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Pru takes lead on 'accruals accounting'

By Norma Cohen, Investments Correspondent

PRUDENTIAL Corporation, Britain's largest life assurance company, yesterday restated its 1991 earnings under the new "accruals accounting" rules, showing for the first time shareholders' interest in the life funds, valued at £2.4bn.

Under the new method, pre-tax profits for 1991 were restated to £820m, or 20.3p per share, against the previously declared profit of £267m, or 7.5p per share.

Mr Mike Lawrence, Prudential's group finance director, said the accruals-based earnings were not intended to substitute for the company's cash accounting, but would supplement it.

Prudential's share price fell 8p before recovering to close just 2½ lower at 276p, with analysts saying that the £2.4bn stake attributed to shareholders was at the low end of what they had expected.

Analysts said that the value of the new accounting would increase as more companies shifted to its use. Several other companies, including Britannia Life and BAT, are said to be preparing similar accounting reports.

Mr Lawrence said that the restated earnings would not result in higher dividends. However, it could bolster the Pru's share price if it encouraged greater understanding of the company's true value.

Although the stake is attributable to shareholders, it is not available to them because of regulatory restrictions. However, the new accruals-based system of accounting allows shareholders to see the size of their stake – something they cannot do under present accounting rules.

However, insurance industry analysts awarded Prudential high marks for the exercise, the first to be completed by a British insurer since the Association of British Insurers recommended experimenting with accruals accounting.

The procedure is currently voluntary although the ABI will consider whether it should become the industry standard after a three-year experiment.

For the first time, analysts are able to see the profitability of key portions of Prudential's business. For instance, it recorded a £15m profit on sales of £300m single-premium with-profits bonds in 1991, the new figures show.

Under accruals accounting, life companies may recognise profits as they occur instead of the current system which does not recognise any product's profitability until it matures.

See Lex

Tie Rack back in the black with £301,000

By John Thornhill

TIE RACK, the speciality tie retailer, bounced back into the black at the half-way stage recording pre-tax profits of £301,000 compared with a loss of £972,000 last time.

The company experienced a healthy improvement in sales, which rose 18 per cent to £25.4m in the 28 weeks to August 16, with business-style ties and Disney products selling particularly strongly.

Existing stores accounted for 11 percentage points of this increase with five new stores contributing the remainder.

Tie Rack also benefited from a reduction in its cost base and stricter control of working capital. This led to an operational cash inflow of £5m yielding £161,000 in interest income compared with £490,000 paid out last year.

The company again passed its interim dividend and said it would not be resumed in the "foreseeable future". However, Tie Rack affirmed its intention to pay a final dividend. Earnings per share came to 0.38p against losses of 1.75p last time.

The company said it remained "cautiously confident" about trading prospects. Mr Nigel McGinley, chief executive, said: "Trade started off well in August but we saw quite a marked softening in the middle of September coinciding with Black Wednesday and the stream of poor economic news."

However, the company reported that sales had again picked up last week and it was expecting further increases over the crucial Christmas period.

At the end of the half year, the company traded from 141 stores in the UK and 121 overseas. Fourteen more stores will have been added by Christmas.

Tie Rack continued to incur losses in the US, although it said the business was on an improving trend.

Its first franchised store in the Far East opened in Hong Kong during the period.

Institutions oppose RHM 'war'

Richard Gourlay and Roland Rudd find institutional investors less interested in who finally wins Ranks Hovis McDougall than in what price is paid for the breadmaker.

INSTITUTIONAL investors overwhelmingly believe Hanson should not get involved in a bidding war with Tomkins, which last week trumped the rival conglomerate's bid for Ranks Hovis McDougall with a higher offer.

Most, however, did not believe that Lord Hanson, the UK's best exponent of the takeover game, would increase his £790m cash bid for the UK milling, baking and grocery products group.

Shareholders appeared less interested in whether Tomkins or Hanson would better manage RHM and were rather more concerned about the price being paid.

As one opined: "If Hanson offered 220p a share first time around it would look odd, to say the least, if it increased its offer by another 30 per cent or so in order to outbid Tomkins."

Another said "I think Hanson had a higher price in mind but not as high as Tomkins has bid."

Most investors expressed confidence that the two conglomerates would not get carried away in a bidding war. "Both Tomkins and Hanson are very sensitive to whether this deal dilutes shareholders' value," said one large institutional holder of shares in both conglomerates and RHM.

A significant group of shareholders believe Tomkins should be given the benefit of the doubt over what one called its "change of direction from low-tech engineering to bread making".

Mr Greg Hutchings, Tomkins chief executive, has begun trying to convince shareholders that acquiring a food company was not a radical departure for the group. After Tomkins launched its £935m recommended bid for RHM, Mr Hutchings began calling institutions to reassure them the deal would not dilute earnings, even without the sale of some of RHM's grocery brands.

The suspicion of institutions, however, is that Tomkins would be unwilling over the long term to own and run RHM's grocery brands.

For the first time in Tomkins' 10-year history Mr Hutchings would begin to operate more like his mentor, Lord Hanson, rapidly selling some of the assets he hopes to buy.

"My best guess is that after one year and a half the brands will be sold or about to be sold – particularly to foreign companies like BSN or Philip Morris which want to get involved in the UK but do not want a hostile takeover battle," one investor said.

Most investors did not think it unusual that one of Tomkins' top institutional investors - Gartmore, which owns 4.4 per cent - should have chosen not to support the rights issue. But Mr Hutchings still has an uphill struggle to convince institutions that he has not overpaid.

"Tomkins' rating is going to take a long time to recover from this," said one institutional shareholder. "Instead of being at a premium to the market I think Tomkins' rating is going to be in line or even below the market average."

Pessimism about Tomkins' rating is shared by other shareholders. "The price that Tomkins is offering for RHM is more surprising than the change in the conglomerate's direction," said one.

"On balance, its offer should be accepted. But I think Tomkins will have to prove itself quite quickly if it's going to have any chance of returning to its premium rating of 10 per cent plus to the market."

Another investor supported this relatively relaxed view about the company's change of direction. "Most of what Tomkins has kept fits into the engineering and capital goods operations," one institutional investor said.

"Tomkins is still a small company and if he (Hutchings) wants it to be another Hanson it will have to diversify."

BAe sells communications subsidiaries

By Daniel Green

BRITISH AEROSPACE has dismantled its communications division and sold most of the parts with the loss of 35 jobs.

The company said the division was "not part of its core businesses".

Turnover of the division in 1991 was about £10m. Only the ground equipment for the company's Orion communications satellite project will remain associated with BAe through a joint venture with Kingston Communications, the telecommunications infrastructure operator for the city of Hull.

Business Television and Services to Broadcasters, which broadcasts to specified groups of people, has gone to Maxat.

The Medical Television Network, which provides programmes for doctors to medical schools was sold to Satellite Information Services, which provides television pictures to betting shops.

Bishopsgate Systems' data broadcasting goes to Alphameric.

Teredo directors under threat from dissidents

By Jane Fuller

DISSIDENT shareholders in Teredo Petroleum, the USM-quoted oil and gas producer, are seeking an extraordinary meeting to consider ousting three of the four directors. The proposal is to replace them with three former executives of Sovereign Oil and Gas, acquired by Neste of Finland.

Mr David Biggins, chairman of Europa Oils, the trio's investment vehicle which owns 4.6 per cent of Teredo, said their experience at Sovereign would enable them to strengthen the board.

He claimed that money raised in rights issues had been "frittered away" over the past few years, while the market value had fallen from more than £20m to about £4m. He suggested that the company should be recapitalised and become more international.

The directors that he and his colleagues, Mr Peter Tory and Mr Peter Smith, plan to replace are Mr Peter Simonis, chairman, Mr Ray Godson, managing director, and his predecessor Mr Michael Seymour.

Mr Godson said the company had recently decided to concentrate on low-risk development of its existing fields, which are onshore in the UK and Spain.

Although its £10.5m long-term debt meant gearing was very high, £5m of that was low-interest loan stock, one of the issues on which the rebels would like to take action.

Embassy Property reduces deficit

Embassy Property Group reported pre-tax losses for the year to March 31 of £7.8m compared with £9.49m, after a fall from £6.64m to £3.99m in exceptional items.

Turnover dipped from £15.5m to £13.4m and losses per share were down from 121.9p to 90.6p.

The company said the reduction of group debt by the £2.78m raised in September's placing would improve the balance sheet.

Recovery continues at Holmes Protection

By Paul Taylor

HOLMES PROTECTION, the US security group quoted in the UK, reported continued progress in its recovery following its recently completed debt restructuring.

Pre-tax profits in the three months to September 30 totalled $3.28m (£2m) on turnover of $13.8m, but included a $2.77m exceptional gain resulting from the reversal of an acquisition reserve created in prior years. Earnings per share were 7.8 cents.

In the same period last year there was a $2.33m pre-tax loss on turnover of $14.4m. The group cautioned that the latest results were not comparable because of changes in accounting policies and the significant adjustments, which required a $1.24m exceptional charge to cover severance pay and the cost of a proxy fight.

The latest results underpin the group's return to profitability in the first half and lift nine month pre-tax profits to $4.76m ($3.73m) on turnover of $42.1m ($44m). Earnings per share came out at 11.2 cents.

Sir Ian MacGregor, chairman, said the recovery was continuing "despite the difficult economic environment that persists in the US". He added that the group's objective remained to improve profitability by reducing costs, generating new sales, acquiring subscriber contacts from third parties and by developing the Dictograph franchise.

He noted that the number of employees had been reduced from 782 last year to 676, and the company had recently acquired subscriber contracts with recurring revenues of $168,000 per year.

Sir Ian also said that during September the group bought 100,000 of its shares in the market at an average price of 45¾p. Holmes' shares were unchanged last night at 45p.

TSW may don footwear to tread future path

By Raymond Snoddy

TELEVISION South West, the west of England ITV company, is in talks with a private West Country shoe manufacturer over the possibility of a reverse takeover.

It is believed the company is the Bristol-based UK Safety Group, a medium sized company with turnover of £33.4m in 1991. Its subsidiaries include TUF, Safeco and GB Britton.

Asked about talks with TSW, which failed to win a new broadcasting licence in last year's competitive tenders, Mr Colin Dunmore, chairman and chief executive of UK Safety, said : "I can't comment on that."

He confirmed, however, that UK Safety was interested in obtaining a Stock Exchange listing. He referred callers to "Rothschilds."

NM Rothschild, the merchant banker, is adviser to TSW.

If the plan goes ahead TSW would take over the shoe company which would then get a listing. At a later stage the name would be changed. TSW has decided that the reverse takeover route would be the way of realising maximum value for its mainly institutional shareholders.

Because of TSW's size and location the company decided there was no way of continuing as a broadcaster.

Indeed it has decided to donate its film and video archives to a new charitable organisation to be set up in Plymouth. The archive would amount to a video history of the West Country.

Another option for TSW would be liquidating its assets at the end of the year when Westcountry Television takes over as the ITV broadcaster.

Sir Brian Bailey, TSW chairman, also declined to comment on the possibility of a reverse takeover.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for trading on 31.10.92 Pool purchase price £/MWh	Final Prices for trading on [illegible] Pool purchase price £/MWh	Pool selling price £/MWh
0030	20.33	17.70	17.70
0100	22.17	17.70	17.70
0130	32.61	17.70	17.70
0200	32.61	17.70	17 70
0230	22.81	17.70	17 70
0300	22.51	17.70	17.70
0330	20.35	17.70	17.70
0400	20.20	17.70	17.70
0430	17.72	17.70	17.70
0500	17.72	17.70	17.70
0530	17.72	17.70	17.70
0600	17.72	17.69	17 69
0630	20.32	17.70	17 70
0700	23.59	23.71	26.45
0730	23.29	25.42	28.16
0800	22.39	26.55	29.29
0830	22.10	28.00	30.77
0900	23.59	28.00	30.76
0930	25.60	28.00	30 76
1000	24.60	28.00	30.76
1030	25.60	28.00	30 73
1100	25.60	26.55	29.21
1130	25.60	28.01	30 70
1200	25.69	28.01	30 70
1230	25.60	28.01	30.70
1300	25.93	28.00	30.70
1330	25.60	26.55	29.21
1400	24.07	25.77	28.42
1430	22.59	25.77	28.42
1500	22.69	25.77	28.42
1530	21.25	25.77	28.42
1600	24.07	25.77	28.42
1630	29.03	28.00	30.70
1700	34.41	28.51	30.88
1730	30.60	28.00	30.87
1800	36.23	28.00	28 00
1830	29.96	32.41	35.22
1900	23.01	32.42	35.21
1930	25.84	32.42	35.21
2000	24.07	32.41	35.21
2030	25.25	25.77	28.41
2100	23.25	25.42	28.07
2130	23.25	24.87	27 51
2200	23.25	24.16	26.81
2230	22.78	23.71	26.37
2300	22.72	22.60	25.26
2330	20.60	20.03	20.03
2400	18.12	17.72	17.72

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg. £16 per MWh becomes 1.600p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity sold through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of such revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-466789 between 8.30am and 5.15pm Monday to Friday.

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COMPANY NEWS: UK

Decision time for water company investors

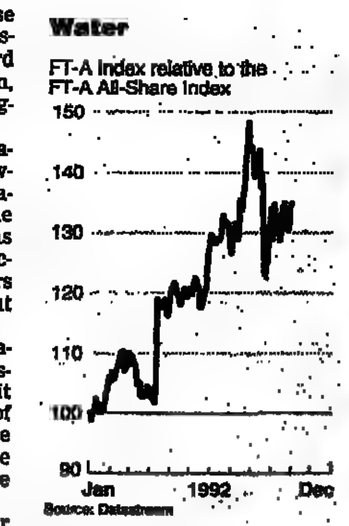
Bronwen Maddox on prospects for the sector which has been one of the best performers this year

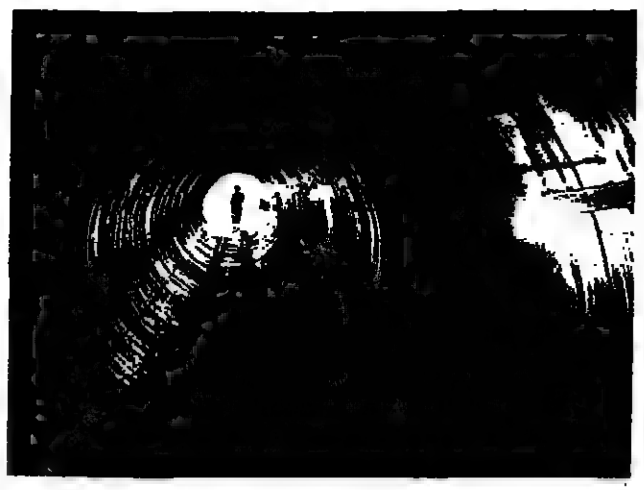
WATER shares rose yesterday as investors looked forward to the half-year results season, which kicks off today with figures from Thames Water.

This is the sixth results season since the 10 water and sewerage companies were privatised in 1989, and like the others, it raises questions about whether they are balancing the interests of customers and shareholders, and about the benefits of privatisation.

Ofwat, the industry regulator, will consider those questions formally in 1994 when it conducts its periodic review of the companies' K numbers, the amount by which they are allowed to raise prices above the rate of inflation.

However, in the past year the short-term attractions of the shares have prevailed over the threat of tighter regulation in 1994. Water companies have been one of 1992's best performing sectors, rising by nearly 40 per cent and outperforming the stock market by about 30 per cent. Investors have reached for the security of water companies' high yields and low risk while recovery in the wider economy remains elusive.




New ring main for London – part of the big capital spending

The decision facing investors at this time is whether that performance can continue.

The most encouraging news is likely to be dividends – the main reason for the sector's rise yesterday. Brokers are expecting increases of about 9 per cent in the half-year payment, compared to some 10 per cent on average last year, and about 3 per cent last year for the market overall. Dividend cover for most companies should also be around the past figure of three times.

Mr Andrew Stone, analyst at Daiwa Investment Research, said: "Until we see some hard news such as a cut in interest rates, you cannot get much safer dividends."

There are also unlikely to have been surprises in the results from the companies' core or regulated water and sewerage businesses as revenues will have risen in line with prices, although lower demand from businesses may have held back revenues in the south. Average water charges, which rose 15.5 per cent in the year to March 1992, are set to increase by only 9.7 per cent overall in the current year.

Immediate regulatory uncertainty has diminished following Ofwat's ruling last month on next year's price increases. Most companies have struck a two-year deal, in which prices will still rise by between 6 per cent and 7 per cent, nearly double the rate of inflation.

However, there are several areas of concern, which could tip the balance for investors deciding whether to hold on to the shares. Companies are heading into their period of highest capital expenditure, and most will move soon from having net cash to net debt. Gearing is expected to peak within the next four years, with interest cover falling to around two times for some.

Investors will want reassurance that the capital spending plans are still on target. Water companies, including the 23 smaller water supply companies still in private hands, are in the middle of a 10-year investment programme that could eventually cost more than £45bn, sharply higher than the government estimates of £28bn at privatisation.

The programme could cost billions more if the National Rivers Authority, the water quality watchdog, favours a harsh interpretation of the EC Municipal Waste Water Directive, which covers treatment of sewage, and if it chooses to bring in strict new UK statutory water quality standards.

Ofwat, concerned about the sharp rises in customers bills to pay for the capital spending, has emphasised that standards should not be set unnecessarily high. It has asked companies to consult customers this winter on the desired level of service.

But as water companies have little room for discretion on capital spending once the rules are set, several managing directors have interpreted this as a backdoor way for Ofwat to remind the NRA of the expensive consequences of its regulatory enthusiasm.

The results will also give a chance to scrutinise companies' diversification, much of which has been disappointing. The companies intend the non-core businesses to shield them against tightening regulation of the core services. They are not allowed to cross-finance the diversifications by revenue from the core activities, but Ofwat's precise views on how this 'ring fence' operates will remain uncertain for several years and a source of risk in the shares.

Brokers are divided in their judgment of whether the short-term attractions of the sector outweigh the long term risks. Mr Peter Hyde, analyst at Kleinwort Benson Securities, says: "The sector may well do well over the next month, but I expect it to be left behind when the economy eventually recovers".

NEWS DIGEST

Wm Sindall incurs loss of £417,000

AFTER redundancy costs of £138,000, William Sindall incurred a pre-tax loss of £417,000 in the opening half of 1992.

That compared with a profit of £432,000, and with a loss of £4.19m for the full year after exceptional charges of £5m.

Turnover of the group, which is engaged in building and civil engineering, declined from £33.9m to £22m.

A month ago judgment was given in favour of the group in an action for rescission of a contract made in 1988 under which land was purchased for £5.08m from the Cambridgeshire County Council. Since then, the council had achieved a mandatory stay of execution by paying into court £8m.

The accounts take in nothing from the judgment and the costs of the action have been fully provided.

Losses per share were 7.55p (earnings 2.65p). There is no interim dividend (1.5p).

New developments boost Jermyn

Jermyn Investment, the property investor, remained in loss during the first half of 1992, but was now trading profitably following the start of rental income from two new developments.

Losses amounted to £592,000 pre-tax compared with £878,000 in the preceding six months and a profit of £105,000 in the corresponding half of 1991.

No income was received from the developments in Guernsey and the Isle of Man because of rent-free periods.

Losses per share were 32.93p (1.16p).

Tamaris cuts interim loss to £118,000

Tamaris, the nursing home operator, cut its pre-tax loss from £475,000 to £118,000 in the six months to September 30. Turnover increased 31 per cent to £1.63m, against £1.28m.

Losses per share came out at 1.26p basic (2.66p) or 0.56p fully diluted (2.33p).

The ultimate holding company is Chalfont Lifecare, a Luxembourg-registered group.

British Assets value declines

Over the 12 months to September 30 net asset value at British Assets Trust, which has an international portfolio of over £500m, fell 5.1 per cent, from 94.72p to 89.85p.

Earnings per share fell from 4.11p to 4.02p, reflecting a combination of falling interest rates, a lower value of dollar receipts because of the declining US exchange rate, and a decrease in dividend payments by quoted UK companies.

However, the final quarterly dividend is 1.07p to make a total of 4.19p for the year, against 4.04p. Barring unforeseen circumstances, a minimum distribution of 4.28p is indicated for the current year.

Investors Capital Trust, 67.5 per cent owned by British Assets, saw net asset value decline from 116.7p to 111.8p over the year.

Earnings per share worked through at 4.97p (5.12p) and the dividend is lifted to 5.1p (5.05p) with a final quarterly payment of 1.275p.

Decline to £3m at Ocean Wilsons

Following the July 1992 reconstruction via a scheme of arrangement, Ocean Wilsons Holdings, an investment holding company, released results for the six months to June 30.

Pre-tax profits declined from £4.78m to £3.1m in spite of a rise in turnover from £40.1m to £43.1m. Earnings per share worked through at 3.57p (5.69); a gross interim dividend of 1p is declared.

Charnos optimism over full year

Charnos, the maker of tights, stockings and lingerie, reported an increase in its seasonal loss for the first half of 1992, but said it had no reason to expect the year's profit to compare unfavourably with the £3.61m of 1991.

Turnover was little changed at £19.4m (£19.8m), but the pre-tax loss rose from £1.03m to £1.89m.

Losses on the privately-owned ordinary shares worked through at 64.02p (34.97p).

Increased deficit at Bristol Scotts

Bristol Scotts, which owns the Bristol greyhound stadium and runs the Scotts restaurant chain, reported a deficit of £500,000 before tax for the six months to June 30.

The outcome, which compared with a loss of £480,000, came on turnover of £5.09m (£5.75m). Losses were 9.07p (8.52p) per share.

County NatWest highlights new income measures

By Andrew Jack

COUNTY NATWEST, the securities house, is to give prominence to two new measures of earnings in its client circulars, following changes to the format and structure of the profit and loss account.

In an equity briefing issued by the firm, it warns that Financial Reporting Standard 3, launched last week by the Accounting Standards Board (ASB), will cause "considerable confusion" among unwary users.

FRS 3, which replaced Fred 1, the earlier consultation draft on the profit and loss account, virtually abolishes the extraordinary item and incorporates all remaining unusual gains or losses in the earnings figure.

County intends to stress what it calls "normalised" earnings – the new earnings figure stripped of extraordinary items – and "maintainable" earnings, or those attributable to continuing business operations.

It warns that the ASB's recast earnings figure will be "highly volatile, potentially misleading and the least useful for any valuation purposes".

This is part of the ASB's stated intention, which is attempting to divert the attention of users of accounts away from what it believes is excessive concentration on the single earnings figure.

But the new standard has caused considerable concern among analysts and other stock market observers, who will be forced to make their own calculations of earnings and determine the basis on which p/e ratios are calculated in the future.

The Institute for Investment Management and Research said last week that it was creating a working party to derive a maintainable earnings figure, which it hoped might become an industry standard. It expects to reach a conclusion within about six months.

County said it is developing a system that will provide aggregated earnings and p/e ratios using any specified definition and expects to publish further details shortly.

Its maintainable earnings figure will take the headline ASB figure, add notional interest on disposal proceeds and earnings on acquisitions, and subtract earnings from discontinued operations and notional interest on acquisition costs.

Its normalised earnings will comprise the headline earnings figure, with the removal of material, non-recurring exceptional items.

Wellcome bids to make clarity a virtue

Andrew Jack explains why the company's report has had a facelift

WHEN shareholders receive the latest annual report from Wellcome later this month, they should find it easier to read, thanks to an unusual collaboration between the pharmaceutical company and three academics.

A number of significant changes to the report's writing, format and design have been made as a result of research into the widely varying patterns of how different readers use – and understand – the document.

Professor Roger Hussey, David Bence and Catherine Wilkie of the University of the West of England in Bristol were commissioned by Wellcome to analyse the responses of 1,124 private shareholders, analysts and institutional investors to its 1991 report.

Changes that have emerged and will be reflected in the 1992 edition include:

● an alternative presentation of cash flow in addition to the format required by accounting standards, to show it in the form used in internal management reports;

● a detailed, clearly written joint statement from the chairman and chief executive, describing the company's performance in a format similar to the management discussion required in US accounts;

● more emphasis on clear graphics, diagrams and other illustrations to highlight financial performance.

Mr John Precious, finance director, says: "We think these accounts are fairly radically different and give more information to the average and the new reader. We believe the accounts are a serious means of communicating with our shareholders."

He stresses that work on improving the presentation, content and style of the Wellcome accounts has been underway for the past several years.

At the heart of the academics' findings lies a paradox. Private shareholders seem reluctant to read – or have difficulty understanding – the more technical parts of accounts. Yet analysts, who ought to be better versed to take on that task, do not give the reports much attention.

Analysts ranked accounts only the fifth most important source of information on a company, after preliminary and interim statements, company presentations and personal interviews.

Private shareholders, by contrast, ranked the accounts second, after press articles, and just above information gleaned from financial advisers, radio and television programmes.

Only 10 per cent said they read all the company's report thoroughly, although 40 per cent read parts thoroughly. But those portions read most conscientiously were the chairman's statement and the financial highlights.

Few either read or considered very important the notes to the accounts or the auditors' report.

Only institutional investors – arguably with both the money and the long-term perspective to consider the information presented in detail – ranked the annual report most important, jointly with personal interviews.

Their other primary sources were presentations, visits and preliminary statements.

PARTS OF ANNUAL REPORT PRIVATE SHAREHOLDERS READ THOROUGHLY

	% of respondents
Chairman's statement	65.6
Financial highlights	56.6
Group p&l account	54.2
Chief exec's review	46.8
Five-year summary	35.5
Directors' report	38.1
Mission and operating philosophy	35.0
Group and parent company balance sheet	32.1
Board of directors	30.8
Notes to financial statements	26.5
Cash flow statement	24.4
Auditors' report	24.3
Other	4.8

The institutions were also the only one of the three groups to consider the notes most important, followed by the balance sheet, profit and loss account, cash-flow statement and review of products sold.

"We are moving towards a two-tier system," says Prof Hussey. "The accounts are becoming a more complex document used mainly by institutions for reference purposes, and are over the heads of the great majority."

He says there is a tension between the "public relations" text at the front of the report, and the financial statements controlled by the accountants at the rear. He stresses the need to make more connections between the two parts.

All three groups said the main purpose of the company in issuing the annual report was to comply with legal requirements. They believed that providing information for investment decisions was less in Wellcome's mind than presenting a good image and giving an indication of the value of the company.

They all agreed that the new cash-flow statement was one of the most difficult part of the accounts to understand – one reason Mr Precious has provided additional information this year.

Sotheby's changes pricing policy as losses escalate

By Antony Thorncroft and Peter Pearse

SOTHEBY'S HOLDINGS is to increase the premium it receives from buyers at its auctions.

From January 1 1993 the auction house, which is controlled by the Detroit-based Taubman family and is quoted in London and New York, will charge 15 per cent on lots sold for £30,000 or less.

On lots which sell for more than £30,000 the 15 per cent will be charged up to that level and 10 per cent on the balance of the price. Until now Sotheby's had earned its revenue by charging both buyers and sellers 10 per cent of the hammer price on all lots sold.

Christies International, the rival auctioneer, said it had no plans to increase its buyers' premium from 10 per cent.

The change follows the announcement yesterday that Sotheby's incurred a net loss of $7.7m (£4.72m) for the nine months to September 30, against a deficit of $5.4m. Losses per share were 15 cents (11 cents).

However, Mr Michael Ainslie, president and chief executive, said he was pleased that auction sales for the first nine months had improved – from $610m to $656.4m.

Acquavella, the modern art retail joint venture in New York, while remaining profitable, contributed less than last time, he said, and this downturn had more than accounted for the increase in the group's nine-month losses. Moreover, he added that consignment levels overall were lower than expected and that full-year profits were likely to be below the $21.5m level of last year.

Mr Ainslie said that annual operating costs had been reduced by about $45m, or 20 per cent, since 1990. The deficit in the traditionally loss-making third quarter emerged at $13.2m ($11m) or losses per share of 25 cents (22 cents).

Mr Ainslie said that factors behind the increased losses included unfavourable exchange rates, the implementation in Europe of the group's worldwide computer system and the effect of the recently acquired Edmund Peel & Asociados, the Spanish auction company.

Auction sales in the three months rose to $88.7m ($73.1m) and the third-quarter dividend was held at 15 cents.

Property blow for Polly Peck administrators

By John Murray Brown in Ankara

PROPERTY CLAIMED by Polly Peck International, the collapsed fruit and electronics group, has been taken over by the government of northern Cyprus dealing a further blow to administrators trying to recover assets on the island.

Officials confirmed that the Kyrenia View Hotel and eight apartment blocks owned through a local subsidiary of PPI have been taken over in settlement of a TL12bn (£955,000) debt owed to the government-run social security pension fund by the companies of Mr Asil Nadir, the former PPI chairman.

Mr Richard Stone, the administrator appointed in October 1990, has so far been frustrated in efforts to gain access to the PPI assets by three injunctions taken out by Mr Mentes Aziz, the personal lawyer of Mr Nadir. Mr Mentes confirmed he was in negotiations with the administrators. However, the latest move will be seen as a further obstacle in claiming the assets.

The freehold properties are owned by Pearl Construction, one of several PPI companies owned through an intermediary company on the Isle of Man. PPI owns two other hotels in Cyprus, a fruit exporting company and a packaging company in Famagusta.

New chief at Alexander Proudfoot

By Angus Foster

Alexander Proudfoot, the US-based but UK-quoted management consultant which has been overshadowed this year by sharp falls in profits and its share price, yesterday appointed a new group chief executive.

Mr John Prosser, formerly managing director for Europe, will fill a role left vacant since the resignation in July of Mr Thomas Huhn. Since then, the company has been managed by a management committee, reporting to Lord Stevens, the chairman.

Yesterday's appointment, which returns the company to a traditional management structure, partly reflects the poor reception among Proudfoot's institutional shareholders of management by committee.

Meanwhile Mr Alan Steelman, chief operating officer under the committee, has resigned.

Proudfoot's shares have fallen from 400p to 75p this year on uncertainty about the company's trading outlook, embarrassing provisions to cover unpaid tax bills, and confusion about the company's leadership.

Mr Prosser said Lord Stevens would stay on as chairman, despite the sale earlier this year by Invesco MIM of its remaining stake in Proudfoot. "Lord Stevens is a very effective chairman," Mr Prosser said.

Second half of 1993 before 3i flotation

By Charles Batchelor

The delayed flotation of 3i, Britain's largest venture capital group, is not now expected to take place until the second half of 1993 at the earliest, according to sources close to the company.

3i said yesterday: "When we announced a further postponement of the flotation in June we undertook to make a further announcement before the end of the year. Since then we have not seen adequate signs of economic recovery and we have decided to defer to 1993 any decision as to a possible date. We will keep the matter under review."

3i had originally planned a flotation, then expected to have a market capitalisation of up to £1.2bn, in early 1992.

Stag leaps 21p as bid talks confirmed

Shares in Stag Furniture, the Nottingham-based cabinet furniture manufacturer, yesterday jumped 21p to 96p following rumours, confirmed by the company, that it was a bid target.

The company said it was in discussions with another party that could lead to an offer.

In September, Stag announced a 66 per cent fall in first-half pre-tax profits to £317,000. The company said margins were under pressure and the interim dividend was cut from 2.5p to 1.5p.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
AB Foods ....fin	5.5	Mar 4	4.5	14	16.7‡
Mezzanine 2001 ....int	5	Nov 30	7.25	-	14.5
Ocean Wilsons ....int	1☆	Dec 4	-	-	-
Sindall (Wm) ....int	nil	-	1.5	-	1.5

Dividends shown pence per share net except where otherwise stated. ☆Gross. ‡For 76 week period.

BOARD MEETINGS

TODAY

Interims- German Smaller Companies Investment Trust, Powerscreen International.

Finals- China & Eastern Investment, Cooper (Frederick), Keystone Investment, Scottish Metropolitan Property, Scottish National Trust, TIP Europe

FUTURE DATES

Interims-

Fleming High Income Inv	Nov. 10
Great Portland Estates	Nov. 17
Jerome (S)	Nov. 18
Marshalls	Nov. 10
Mercury Asset Management	Nov 10
Moale Investment Trust	Nov. 24
National Power	Nov 17
Oxford Instruments	Nov. 10
Penna	Nov. 19
Regalian Properties	Nov. 11
Somic	Nov. 13
Upton & Southern	Nov. 11
Warburg (SG)	Nov. 10

Finals-

BOC	[illegible]
Burton	Nov. 12
Fenner	Nov. 23
Gartmore European	Nov. 20
Jessups	Nov. 11
Kwik Save	Nov. 25
Morland	Nov. 26
Pegasus	Nov. 6
VTR	Nov. 10
Vosper Thornycroft	Nov. 17

Surveys arouse oil surplus fears

By Neil Buckley

THREE SURVEYS published yesterday estimated oil production by the Organisation of Petroleum Exporting Countries at more than 25.1m b/d in October, arousing fears that production may outstrip demand this quarter.

However, the news had little impact on a market which had already seen oil prices fall almost $1.50 in 10 days. Brent crude for December delivery ended yesterday at $19.42½ a barrel, up 12.5 cents from Friday, but well off the $20.80 it reached in mid-October.

Petroleum Argus magazine estimated Opec production at 25.18m barrels a day, Platt's Week at 25.21m b/d, and Paris-based Petrostrategies magazine at 25.3m b/d.

Nervousness about the possibility of excess production had already taken hold of the market last week. Traders said no single factor seemed to be depressing prices, but rather a combination of rumours and suspicions.

Reports circulated that Kuwait was pushing for rapid expansion of its crude capacity towards 2m b/d. Kuwait is at present producing about 1.3m b/d, while Iran announced a one-week increase in production last month from about 3.5m b/d to 4m barrels a day to test new production capacity.

There was further speculation about the possible return of Iraq to the export market. Iraq was banned by the United Nations from exporting oil after it invaded Kuwait in 1990. Recent remarks by the head of the UN commission on Iraq, together with the possibility of victory for Mr Bill Clinton in the US election, aroused fears that Iraq might return sooner than expected.

On Friday, rumours hit the market that Saudi Arabia planned to raise its output to 8.8m b/d this month – rumours which the kingdom was quick to squash.

Analysts had previously been forecasting a tight market this winter. This had pushed Brent crude close to $21 a barrel in October, with predictions that it might reach $22 during the winter. With some forecasters predicting a colder-than-normal winter, and world oil stocks at a four-year low, the weather was seen as the factor most likely to affect prices.

The recent slide has dampened that confidence. But analysts insist that the fundamentals are still strong.

"I must emphasise I think supply and demand are nowhere near as out-of-kilter as this price would suggest," said Mr Mehdi Varzi, analyst at Kleinwort Benson, the London brokers.

Mr Varzi believed the underlying reason for the price fall might be lack of direction from Opec. Many traders were nervous when the communiqué at Opec's last meeting referred to agreement on a "market share" rather than the more usual "production ceiling".

"People hate cartels, but in most commodity markets there is someone who guides the price. The last Opec meeting did not give a clear signal," Mr Varzi said.

Brunei still sits cosily in its Shell

Kieran Cooke on a longstanding relationship that suits both parties

EARLY THIS century two intrepid British geologists were cycling along a path near the coast in Brunei, on the west of the island of Borneo. They paused for a rest. Then one uttered the magic words: "I smell oil".

Brunei has never looked back. The economy of the tiny sultanate is a relatively simple affair. At present it produces 182,000 barrels of oil a day. Exports of crude in 1990, the last year for which official figures are available, were worth Brunei $2.02bn ($1.27bn). Liquefied natural gas exports were worth a similar amount.

The Sultan of Brunei: Oil is reputed to have made him the world's richest individual.

Vast savings have accumulated over the years. The secretive Brunei Investment Agency is believed to control a $35bn portfolio of international investments, the income from which is now estimated to contribute more to the government's coffers than revenues from oil and gas combined.

Brunei's 270,000 people have one of the highest per capita incomes in the world. Sultan Hassanal Bolkiah, now celebrating 25 years of absolute rule, is generally regarded as the world's richest individual, with a personal fortune estimated at $37bn.

The Sultan and the Royal Dutch/Shell group, in Brunei since early this century, are the two main focuses of attention in Brunei. Shell has a monopoly on Brunei's oil and gas exports. There is very little other industry in the country. The Shell group is by far the country's biggest employer – apart from the government, which employs about 50 per cent of the labour force.

Shell is reluctant to discuss amounts of revenue from its local operations. But Singapore-based oil industry analysts estimate that Brunei contributes about 10 per cent of the Shell group's overall world-wide profits.

The company now has seven offshore oil fields in Brunei and two onshore. It – and Brunei – have been fortunate that oil discoveries have tended to coincide with the oil price rise shocks of the last 20 years.

Oil analysts say that exploration technology now being used in Brunei is among the most advanced in the world: using three dimensional seismic exploration techniques finds have been made under existing oil fields. In recent years the Brunei government has been stressing the need to conserve resources.

"This year Shell has successfully pressed the Brunei government for an increase in oil production so as to recoup the recent investments it has made in high technology exploration," says an industry analyst.

"Next year production will probably fall back to 150,000-160,000 b/d and at that rate Brunei has about 35 years' reserves of oil and about 40 years' reserves of gas."

Gas has been Brunei's big success story. Twenty years ago, Shell built in Brunei what was then the world's biggest LNG processing plant. Gas is piped from fields more than 30 km (18 miles) offshore and cooled at the plant until it liquefies. It is then loaded on to LNG carriers and transported to Japan.

The Brunei plant has produced more than 90m tonnes of LNG over the past 20 years. Apart from domestic consumption, all LNG is purchased by three Japanese companies: Tokyo Electric (the world's biggest private electricity utility), Tokyo Gas and Osaka Gas.

LNG exports to Japan have been made under a 20-year contract that runs out at the end of March next year. Another 20-year contract is being negotiated, but there have been considerable problems. The seven LNG ships that transport the gas to Japan are owned (jointly by Shell and the Brunei government. At one stage the Japanese wanted a whole fleet of new tankers – no small request with each ship costing around $300m.

The prices of LNG exports to Japan are determined by a complex formula based on average prices of Japanese imported crude and referred to in the trade as "The Japan Crude Cocktail".

There continues to be arguments over price. Shell says talks are at a crucial stage with no clear sign of when agreement can be reached. Industry analysts say Brunei has the upper hand: the country has established itself as a reliable, long-term supplier and about 14 per cent of Japan's total LNG imports come from the sultanate. Japan wants to import more – if the Japanese do not buy then Korea is a ready market.

All Shell's operations in Brunei have a 50 per cent government shareholding. Mitsubishi, the Japanese conglomerate, has 25 per cent stakes in LNG processing and transport operations.

Most industry analysts see the Brunei/Shell relationship continuing. But others are eager to enter. Elf Aquitaine has formed a partnership with a local company believed to be controlled by Prince Jufri, the Sultan's younger brother and minister of finance. Elf has found oil but it is believed to be in fields that either stretch into Malaysian waters or into adjacent Shell areas.

The present sultan and his advisers have pressed for a greater share of profits from the Shell operations. Analysts feel the government has been clever in its handling of the oil giant: it has not threatened to nationalise but by taking a 50 per cent stake in all operations, it has been able to exert a large degree of control.

For its part Shell is very careful to obey various government edicts. Official requirements on employing large numbers of Brunei Malay people rather than Chinese or others have led to serious staff shortage difficulties. For all its economic clout, Shell makes sure it is not seen to be interfering in any of Brunei's internal affairs.

"No one outside really knows the exact terms of the contract between Brunei and Shell," says an industry analyst. "But one thing is certain – it's very good for Shell and good for Brunei as well."

No sign of meeting point in cocoa talks

By Frances Williams in Geneva

COCOA PRODUCING and consuming countries yesterday began a third round of talks to thrash out a new price-stabilisation commodity agreement, with both sides still maintaining the same divergent positions on the main issues as in July when the previous talks ended.

The two-week session, held here under the auspices of the United Nations Conference on Trade and Development, will centre on the price to be defended by the new agreement, the consumers' plan for withholding production from the market, and how the agreement is to be financed.

The existing 1986 cocoa accord, which expires in September 1993, has failed to prevent mounting stockpiles and a disastrous collapse of prices as production has grown far more rapidly than consumption over the past 20 years. Buffer stock operations, intended to stabilise prices, were suspended in 1988 after cocoa purchases reached the maximum allowed by the agreement.

Stockpiles currently stand at over 1.4m tonnes and prices are at their lowest levels in real (inflation-adjusted) terms ever recorded.

Producers want the new accord to defend a price range with a mid-price of SDR1,820 (£1,620 at the present conversion rate) a tonne, more than double current market levels. Consumers are insisting on a mid-price of SDR1,000 a tonne.

Producers have proposed 600,000 tonnes as the maximum that can be withheld from the market under the new accord, twice the amount envisaged by consumers, and want the accord financed equally by producers and consumers. Consumers say money should first be raised by repayment of arrears and controlled sales from the existing 240,000 tonne buffer stock.

However, there is consensus on the need to reduce cocoa output. Meeting in Kuala Lumpur last month, the Cocoa Producers' Alliance agreed to set up a production committee to co-ordinate measures by its 13 member countries, which account for 85 per cent of world cocoa production.

Mr Alain Gauze, commodities minister for the Ivory Coast, the biggest producer, said yesterday that his country's production would be cut by 15-20 per cent as a result of the new output policy instituted by the government.

Chicago grain trade ignores Gatt worries as futures rally

By Laurie Morse in Chicago

CHILL WINDS over the North American plains and the first snows in Minnesota helped lift the prices of Chicago maize and soyabeans futures yesterday, as the foul weather briefly delayed the bumper harvest.

Grain traders, focused squarely on the progress of the crop and the outcome of Tuesday's national elections in the US, were all but oblivious to the international trade talks going on at a hotel only blocks from the soyabean pits at the Chicago Board of Trade.

The talks, billed as the last in the six-year-long negotiating marathon known as the Uruguay Round of the General Agreement on Tariffs and Trade, were seen as an "insignificant" feature in the morning grains rally.

"Political events are harder to predict than the weather," said Mr Daniel Basse, senior analyst for the Illinois-based firm, AgResources. "At least with the weather, we can get a 10-day forecast."

With 38.5 per cent, or about 270m bushels, of this year's US soyabean crop scheduled to be exported to the European Community this marketing year, the failure of Gatt and an ensuing trade war could push the price of Chicago soyabean futures down to $5 a bushel "fairly quickly", Mr Basse said. Soyabean futures for January delivery closed at $5.52¾ a bushel on Friday, and had rallied another 3¼ cents in late trading yesterday.

The Monday rally, Mr Basse said, reflected the traders' unwillingness to come to grips with the importance of Gatt. "I don't really think the traders understand the implications [of a failure of Gatt]. It has been an ongoing development, over several years and most of these guys don't have any experience with a trade war. They don't think it can happen."

Mr Richard Feltes, research director for the big Chicago-based brokerage firm, Refco, suggested, however, that the market had already written a failure of Gatt into market prices. "I think the majority of people who watch this closely believe that Gatt's not going to happen," he said. He added that those same people did not believe that a Gatt failure would spark a trade war, which explained the indifference of the grain markets.

"Traders don't think [US President] Bush has got the guts to throw $1bn in sanctions on the EC," Mr Feltes said. "They just don't think he will pull the trigger on a trade war. World leaders in the '90s don't start trade wars, especially over soyabeans."

A report on US exports sales released last Thursday showing that fully half of this year's projected soyabean exports, or about 339m bushels, had already been placed, was central to the two-day soyabean rally, traders said. That volume of sales only six weeks into the new marketing year was something of a benchmark for the US, they said.

Western uranium output falls

By Kenneth Gooding, Mining Correspondent

URANIUM PRODUCTION outside the former eastern bloc countries last year was only 26,900 tonnes, the lowest since 1976, but enough to take cumulative western world output past the 1m tonnes mark, according to the UK-based Uranium Institute.

Western production in 1991 covered only 57 per cent of utilities' reactor requirements – uranium has only one use, to produce nuclear energy – and the rest was covered by the drawdown of stocks and deliveries from the Commonwealth of Independent States, eastern Europe and China.

In its latest market study, the institute estimates that western uranium stocks are about 78,000 tonnes but suggests not all of this is available. In any case, "given the shortfall of about 30,000 tonnes in 1991 between western production and requirements and a 1991 mine capacity utilisation rate of 62.1 per cent, these available stocks could be consumed within a relatively short time," it adds.

In most countries in eastern Europe, uranium output has fallen to a level where it just satisfies domestic requirements, the report indicates. However, in the CIS production last year was 10,500 tonnes – substantially higher than had been previously estimated.

Estimates of uranium resources in eastern Europe, the CIS and China have been updated and are substantially lower than previously believed. At a recoverable cost of up to US$80 a kilogram, resources in eastern Europe at the end of 1990 were estimated to be 61,000 tonnes, those in the CIS at 355,000 tonnes and those in China at 50,000 tonnes.

Uranium in the New World Market: A Statistical Update of Supply and Demand 1991-2010, £35 plus postage from the Uranium Institute, 58 Knightsbridge, London SW1X 7LT, UK.

Indian companies link to build alumina plant

By Kunal Bose in Calcutta

INDIAN ALUMINIUM (Indal) has teamed up with Tata Industries to build a 1m-tonne alumina (aluminium oxide) plant at an estimated cost of Rs2bn (£35m). Alcan of Canada, which holds nearly 40 per cent of the equity in Indal, is also participating in the project.

According to Mr Tapan Mitra, managing director of Indal, the proposed refinery, will be drawing bauxite (aluminium ore) from the Baphalimali deposit in the Koraput district of Orissa. The bauxite reserves at Baphalimali are estimated at 200m tonnes.

The project will be drawing technology from either Pechiney, Alusuisse or Alcan.

The Indal-Tata joint venture is likely to attract overseas equity participation and pre-purchase financing by prospective foreign buyers of alumina.

Mr Mitra says the alumina refinery will be commissioned in six years. Indal will also be promoting a new company to undertake the job of recycling aluminium scrap. Initially, the plant be able to recycle 30,000 tonnes of scrap. Later, plant capacity will be doubled, according to Mr Mitra.

Delhi promotion for tea industry

A THREE-DAY international convention on Indian tea to "improve the international awareness of the strengths of our tea and our capacity to satisfy the needs of importing countries," is to be held in New Delhi from January 21, writes Kunal Bose. Mr H.P. Barooah, chairman of the Consultative Committee of Plantation Associations, which is organising the convention, says that it will highlight the fact that besides supplying bulk tea to the blenders and packers, India has the capacity to make custom-made consumer packs and tea bags for the wholesalers and retailers.

WORLD COMMODITIES PRICES

MARKET REPORT

THE RECENT sharp fall in London Metal Exchange ZINC prices was extended yesterday morning before consumer interest appeared at last to steady the market. The three months price, which had fallen $190 during October, reached $1,092 a tonne during the morning before steadying to close at $1,096.50 a tonne, down $16 from Friday. The recovery continued in kerb (after-hours) trading, which ended with three months zinc at $1,101.50 a tonne. COPPER traded narrowly in dollar terms, reflecting a fairly lifeless performance on the New York market, and three months metal ended at $2,272 a tonne, down $13. The weak pound boosted sterling copper prices with the three months position ending the kerb session at £1,496.50 a tonne, its highest level for more than two years and a gain of £20.25 from Friday's kerb close. COCOA futures at the London Futures and Options Exchange were also boosted by sterling's fall, the March position ending the day £19 up at £724 a tonne.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.20-7.25u	+.025
Brent Blend (dated)	$19.20-9.30	+.125
Brent Blend (Dec)	$19.40-9.45	+.105
W.T.I. (1 pm est)	$20.80-0.70u	+0.15
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$212-215	
Gas Oil	$189-190	-1.0
Heavy Fuel Oil	$100-101	
Naphtha	$190-191	-0.5
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$338.75	+0.10
Silver (per troy oz)♣	378.5c	+2.0
Platinum (per troy oz)	$355.5	+1.35
Palladium (per troy oz)	$94.25	+0.30
Copper (US Producer)	105.5c	
Lead (US Producer)	41.2c	+2.7
Tin (Kuala Lumpur market)	14.19r	-0.20
Tin (New York)	267.5c	-2.0
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	109.20p	+0.29*
Sheep (live weight)†♣	73.20p	-0.64*
Pigs (live weight)†	89.07p	+2.66*
London daily sugar (raw)	$227.0z	+1.4
London daily sugar (white)	$260.5z	-2.5
Tate and Lyle export price	£256.0	+1.0
Barley (English feed)	Unq.	
Maize (US No. 3 yellow)	£144.75	+0.50
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	63.00p	+0.75
Rubber (Jan)♥	63.00p	+0.75
Rubber (KL RSS No 1 Oct)	222.0m	
Coconut oil (Philippines)§	$510.0y	+10.0
Palm Oil (Malaysian)§	$405.0z	
Copra (Philippines)§	$322.5	-27.5
Soyabeans (US)	£163.0z	
Cotton "A" index	51.60c	
Woolstops (64s Super)	406p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. i-Nov y-Dec/Jan u-Dec. w-Oct/Nov z-Nov/Dec ‡Meat Commission average fatstock prices * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices

SUGAR – London FOX ($ per tonne)				
Raw	Close	Previous	High/Low	
Dec	199.00	199.00	199.00	
Mar	199.00	194.90	196.00	
May	202.00	194.90	196.00	
Aug	203.00		196.00	
White	Close	Previous	High/Low	
Dec	261.80	256.90	262.50	258.50
Mar	261.00	257.80	261.20	257.80
May	262.00		263.00	260.00
Aug	267.00	264.00	265.00	265.00
Oct	258.00		263.50	262.00

Turnover: Raw 51 (17) lots of 50 tonnes. White 1066 (268) Paris- White (FFr per tonne): Dec 1352.72 Mar 1378.82

CRUDE OIL – IPE $/barrel				
	Close	Previous	High/Low	
Dec	19.58	19.45	19.59	19.37
Jan	19.59	19.46	19.62	19.40
Feb	19.54	19.46	19.56	19.37
Mar	19.45	19.36	19.46	19.30
Apr	19.33	19.28	19.33	19.25
May	19.30	19.21	19.25	
IPE Index	19.34	19.60		

Turnover 23277 (46023)

GAS OIL – IPE $/tonne				
	Close	Previous	High/Low	
Nov	184.50	184.75	185.50	183.75
Dec	185.50	186.00	187.00	184.75
Jan	186.75	187.25	188.00	185.25
Feb	184.75	185.00	186.25	184.75
Mar	180.50	180.50	181.75	180.50
Apr	176.50	176.50	177.75	176.50
May	173.25	173.75	174.50	173.25
Jun	172.50	172.50	173.50	172.50
Jul	174.00	174.00	174.00	

Turnover 15795 (27012) lots of 100 tonnes

TEA

There were 12,812 packages for the day, reports the Tea Brokers' Association. There was again a good general demand. Landed Assams sold readily with better liquoring sorts fully firm to dearer, but plainer mediums tending easier. East African teas met strong competition and Pekoe Dusts often gained several pence. Price levels were fully maintained except towards the close. Offshore: fair demand at firm rates. The highest price realised this week was 190p for an Assam pf. Quotations: quality 180p, good medium 150p, medium 132p, low medium 88p.

COCOA – London FOX £/tonne				
	Close	Previous	High/Low	
Dec	701	685	701	679
Mar	724	706	725	700
May	742	725	742	720
Jul	759	744	759	734
Sep	775	760	776	755
Dec	796	784	796	774
Mar	817	802	817	802
May	836	821	835	
Jul	855	840		
Sep	874	859		

Turnover: 6557 (3114) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Oct 30 791.96 (740.59) 10 day average for Nov 2 743.13 (742.20)

COFFEE – London FOX $/tonne				
	Close	Previous	High/Low	
Nov	905	915	917	905
Jan	935	941	947	935
Mar	955	961	967	955
May	975	980	985	972
Jul	995	995	1000	990
Sep	1005	1011	1018	1010

Turnover: 2089 (7364) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Oct 30: Comp. daily 57.29 (55.85) 15 day average 54.13 (53.78)

POTATOES – London FOX £/tonne			
	Close	Previous	High/Low
Apr	61.3	62.0	64.0

Turnover 75 (51) lots of 20 tonnes.

SOYABEAN MEAL – London FOX £/tonne			
	Close	Previous	High/Low
Dec		144.50	

Turnover 0 (0) lots of 20 tonnes.

FREIGHT – London FOX $10/index point				
	Close	Previous	High/Low	
Nov	1182	1180	1182	1182
Dec	1185	1190	1186	
Jan	1225	1220	1225	1225
BFI	1113	1111		

Turnover 15 (271)

GRAINS – London FOX £/tonne				
Wheat	Close	Previous	High/Low	
Nov	128.50	127.90	128.50	128.00
Jan	131.25	131.00	132.00	131.10
Mar	134.00	133.50	135.00	133.80
May	137.50	136.40	137.50	137.00
Sep	104.25		104.25	
Nov	107.00		107.00	
Barley	Close	Previous	High/Low	
Nov	129.00	129.80	130.15	129.40
Jan	133.05	132.00	133.15	133.00
Mar	134.75	134.00	134.75	

Turnover: Wheat 548 (461), Barley 190 (330).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg				
	Close	Previous	High/Low	
Nov	113.0	112.5	113.0	112.5
Jan	102.0	102.0	102.0	
Apr	105.0		105.0	

Turnover 18 (16) lots of 3,250 kg.

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 38,454 lots
Cash	1143-4	1147.5-8		1144-5		
3 months	1168.5-9	1173-4	1174/1165	1170-0.5	1169-70	176,869 lots
Copper, Grade A (£ per tonne)						Total daily turnover 40,615 lots
Cash	1464.5-5.5	1451-3	1460/1459	1459-60		
3 months	1491-2	1476-6.5	1498/1466	1467-7.5	1496-7	147,995 lots
Lead (£ per tonne)						Total daily turnover 5,001 lots
Cash	316-8	322-3		316.5-20.5		
3 months	329-6.5	335-6.5	335/328	331.5-2.5	326-6.5	29,526 lots
Nickel ($ per tonne)						Total daily turnover 4,741 lots
Cash	5955-60	6065-75		5990-5		
3 months	6035-6	6140-45	6125/6035	6060-5	6045-50	31,883 lots
Tin ($ per tonne)						Total daily turnover 2,475 lots
Cash	5780-5	5825-35	5800	5800-2		
3 months	5835-40	5880-90	5850/5800	5840-5	5840-50	9,981 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 23,330 lots
Cash	1076-7	1092-3	1077	1077-7.5		
3 months	1096-7	1112-3	1112/1092	1097.5-8	1101-2	67,712 lots
LME Closing £/$ rate:						
SPOT: 1.5318		3 months: 1.5171		6 months: 1.5055		9 months: 1.4977

LONDON BULLION MARKET (Prices supplied by N M Rothschild)			
Gold (troy oz)	$ price	£ equivalent	
Close	339.60-339.90		
Opening	335.70-336.10		
Morning fix	335.30	218.974	
Afternoon fix	339.50	220.526	
Day's high	339.90-340.20		
Day's low	332.00-333.50		
Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.11	6 months	2.25
2 months	2.15	12 months	2.53
3 months	2.15		
Silver fix	p/troy oz	US cts equiv	
Spot	242.65	375.65	
3 months	247.10	378.75	
6 months	250.80	382.00	
12 months	258.00	389.00	

GOLD COINS		
	$ price	£ equivalent
Krugerrand	336.00-341.00	218.80-220.00
Maple leaf	350.15-352.45	-
New Sovereign	81.50-83.60	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1100	50	80	3	9
1200	7	29	49	47
1300	3	5	143	122
Copper (Grade A)	Calls		Puts	
2200	72	101	8	25
2300	18	46	52	55
2400	3	21	136	137
Coffee	Jan	Mar	Jan	Mar
850	93	115	8	18
900	58	81	21	34
950	30	54	45	57
Cocoa	Dec	Mar	Dec	Mar
625	76	108		9
650	53	85	2	14
675	32	71	6	22
Brent Crude	Dec	Jan	Dec	Jan
1950	20	60	33	65
2000	7	31		77
2050	5	21		

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	339.9	339.4	0	0
Dec	340.6	340.1	340.8	339.7
Jan	341.3	340.6	0	0
Feb	342.0	341.5	342.2	341.2
Apr	343.4	343.6	343.8	342.9
Jun	344.8	344.3	344.9	344.2
Aug	346.6	346.0	340.6	340.6
Oct	348.4	347.8	0	0
Dec	350.3	349.7	350.8	349.6

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	355.5	354.2	356.5	353.5
Apr	354.5	353.2	354.0	353.5
Jul	354.0	352.9	0	0
Oct	356.2	354.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	376.1	375.1	0	0
Dec	379.2	376.2	380.0	376.0
Jan	380.5	377.5	0	0
Mar	383.0	379.9	383.5	380.0
May	385.6	382.5	0	0
Jul	388.6	385.3	389.5	387.0
Sep	391.4	388.1	0	0
Dec	396.0	392.7	396.5	392.5
Jan	397.5	394.2	0	0
Mar	401.5	398.0	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	98.95	100.90	100.30	98.90
Dec	99.45	101.40	101.15	99.55
Jan	99.90	101.70	101.50	99.50
Feb	100.45	101.95	0	0.
Mar	100.60	102.20	102.10	100.50
Apr	101.00	102.50	0	0
May	101.35	102.75	102.70	101.40
Jun	101.80	102.95	0	0
Jul	101.90	103.15	103.00	103.00
Aug	102.10	103.35	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Close	Previous	High/Low	
Dec	20.77	20.82	20.82	20.54
Jan	20.76	20.65	20.83	20.56
Feb	20.72	20.62	20.79	20.55
Mar	20.67	20.59	20.71	20.54
Apr	20.62	20.55	20.67	20.58
May	20.58	20.52	20.62	20.45
Jun	20.54	20.46	20.59	20.42
Jul	20.50	20.44	20.54	20.38
Aug	20.46	20.40	20.50	20.40
Sep	20.42	20.36	20.45	20.36

HEATING OIL 42,000 US galls, cents/US galls				
	Close	Previous	High/Low	
Dec	60.09	59.97	60.75	59.60
Jan	60.95	60.85	61.50	60.60
Feb	60.40	60.28	60.80	60.10
Mar	59.00	58.95	59.25	58.70
Apr	57.65	57.60	57.90	57.45
May	56.60	56.55	56.80	56.45
Jun	55.90	55.80	55.90	55.70
Jul	55.95	55.80	55.95	55.70
Aug	56.55	56.40	56.40	56.35
Sep	57.70	57.55	57.80	57.80

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	960	932	970	920
Mar	1006	980	1018	967
May	1036	1012	1046	1003
Jul	1067	1041	1072	1030
Sep	1094	1068	1094	1057
Dec	1130	1104	1127	1090
Mar	1169	1146	0	0
May	1199	1172	1165	1164
Jul	1228	1202	0	0
Sep	1251	1225	1212	1203

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	67.80	68.45	68.50	67.50
Mar	69.85	70.50	70.50	69.55
May	72.55	73.50	73.25	72.40
Jul	74.10	75.20	75.00	74.10
Sep	75.40	76.40	76.60	75.40
Dec	77.40	78.60	78.50	76.50
Mar	78.75	80.75	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.97	8.77	9.00	8.77
May	9.04	8.87	9.06	8.88
Jul	9.06	8.94	9.10	8.91
Oct	9.05	8.95	9.07	8.91
Mar	9.08	8.99	9.00	9.00

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	52.93	51.70	52.95	51.85
Mar	53.03	52.16	53.10	52.30
May	53.41	52.67	53.55	53.00
Jul	54.10	53.12	54.10	53.60
Oct	55.30	54.52	54.75	54.50
Dec	55.70	55.20	55.60	55.20

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	96.65	96.30	97.25	96.50
Jan	96.30	95.15	96.40	95.60
Mar	97.90	96.90	98.00	97.60
May	99.05	98.15	99.00	99.00
Jul	98.90	97.90	99.00	99.00
Sep	98.90	97.90	0	0
Nov	98.40	97.40	0	0
Jan	98.40	97.40	98.75	98.75
Mar	98.40	97.40	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov 2	Oct 30	mnth ago	yr ago
	1656.1	1649.4	1573.8	1911.2
DOW JONES (Base: Dec. 31 1974 = 100)				
	Oct 30	Oct 29	mnth ago	yr ago
Spot	113.83	113.56	113.30	114.37
Futures	116.16	115.61	114.46	123.01

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	553/4	549/2	558/4	551/0
Jan	556/0	552/6	558/6	554/0
Mar	562/2	558/6	565/0	560/0
May	568/6	564/2	570/6	566/0
Jul	574/2	569/6	576/0	572/0
Aug	575/6	572/0	577/0	574/0
Sep	574/2	571/0	576/4	574/0

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	19.46	19.37	19.65	19.27
Jan	19.61	19.44	19.73	19.37
Mar	19.79	19.64	20.05	19.62
May	19.99	19.84	20.12	19.85
Jul	20.14	20.06	20.36	20.07
Aug	20.17	20.08	0	0
Sep	20.22	20.12	0	0
Oct	20.28	20.17	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	183.3	182.4	184.2	183.0
Jan	183.3	182.7	184.3	183.2
Mar	183.4	182.8	184.3	183.3
May	184.0	183.4	184.8	183.8
Jul	185.7	185.2	186.3	185.5
Aug	186.4	186.2	187.2	186.4
Sep	187.3	187.2	188.2	187.3
Oct	188.5	188.5	189.0	188.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	211/2	207/2	211/4	208/0
Mar	221/2	217/6	223/2	218/6
May	228/4	225/0	229/6	226/0
Jul	232/4	229/4	233/6	230/4
Sep	237/2	234/0	238/0	235/0
Dec	241/6	238/0	242/0	238/4

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	362/6	354/4	364/0	353/2
Mar	359/2	349/4	361/4	348/6
May	344/4	334/6	345/0	334/4
Jul	318/4	313/6	320/0	313/0
Sep	324/0	318/0	326/0	318/2
Dec	334/0	328/0	335/0	328/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	73.900	73.775	73.950	73.450
Feb	71.650	71.425	71.700	71.200
Apr	72.075	71.775	72.200	71.675
Jun	69.450	68.850	69.575	68.750
Aug	68.375	67.750	68.525	67.900
Oct	68.650	68.100	68.900	68.100

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	42.675	42.425	42.975	42.175
Feb	42.700	42.225	42.750	42.100
Apr	40.675	40.200	40.750	40.175
Jun	45.100	44.825	45.250	44.700
Jul	44.750	44.600	44.850	44.600
Aug	43.500	43.425	43.675	43.300
Oct	40.675	40.600	40.750	40.525

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	41.600	40.525	41.750	40.150
Mar	41.625	40.875	41.800	40.350
May	43.225	42.175	43.400	41.850
Jul	43.775	42.650	43.775	42.300
Aug	42.700	41.900	42.700	41.300

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LONDON STOCK EXCHANGE

US buying helps lift London equities

By Terry Byland,
UK Stock Market Editor

BETTER economic news from across the Atlantic and interest rate cuts in France helped the UK stock market resist political uncertainties yesterday and turn higher towards the close of the trading session. US buyers appeared in London for the blue chip internationals while the broad range of domestic stocks responded to hopes that interest rate cuts and moves to stimulate the domestic economy will survive tomorrow night's Maastricht debate in parliament.

Trading volume was light for much of the day and investors were clearly cautious at the beginning of a week which will be featured by the presidential election in the US and the challenge to Mr John Major's government in the paving debate over the Maastricht treaty.

In early trading, equities were sluggish, barely succeeding in recovering an early fall of 9.3 on the FT-SE Index by mid-session. Renewed weakness in sterling cast a cloud over interest rate hopes, and equities were restrained by falls in government bond prices.

The second half of the session saw share prices climbing slowly until mid-afternoon when the pace speeded up, reportedly when a leading UK securities house stepped in to the London market with a £150m buy order from a US investment fund.

Also helping equities was a modest rally in sterling after the reduction of some French base rates appeared to improve the chances for similar moves in the UK. The FT-SE Index closed at the day's best of 2,687.8, for a net gain on the day of 29.5 points.

Traders suggested that the US fund buyer of London stocks might simply be hedging positions while awaiting the outcome of the presidential vote. But sentiment towards the US economy benefited from news late yesterday that the US National Purchasing Managers Index had risen to 50.6 per cent and that construction orders had gained 1.3 per cent in September, the largest monthly rise since April.

The rise in the equity market spread from the blue chip international sectors to take in the wider range of stocks reflected in the FT-SE Mid 250 Index. The increased focus on stocks outside the FT-SE 100 Share Index over the past fortnight has indicated the search by institutions for stocks likely to benefit from moves to stimulate the UK economy.

Retail and consumer stocks edged forward after a dull start and building and construction issues, also immediate beneficiaries of lower base rates, found buyers. But gains were generally modest, as were trading volumes.

A handful of bid situations also re-emerged, partly in view of perceptions that the Hanson camp, challenged in its bid for Ranks Hovis McDougall, may turn to other targets, some of them identified in previous tussles. Takeover speculators were active on the insurance pitch, where a French bid was suggested, and also among the construction stocks.

However, strategists warned that the market might have over-reacted yesterday to modest buying interest.

On the domestic front, hopes for economic stimulus must take account of the government's struggle to achieve acceptance tomorrow for the Maastricht proposals, and may then have to wait until the official autumn economic statement, due at the end of next week.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	2	437		Comm. Union	798	569	-5	Lonrho	887	87		Shell Transport	3,800	538	+5
ASDA Group	4,300	42	+½	Cookson	1,000	180	+1	Lucas	5,200	115	+9	Siebe	1,600	344	+7
Abbey National	2,900	348	+11	Courtaulds	583	487	+5	MB Caradon	2,900	271	+1	Slough Ests	694	136	-2
Albert Fisher	3,200	45	+1	Delgety	23	431	-2	MEPC	1,100	350	+15	Smith (W.H.) A	732	473	-3
Allied-Lyons	1,400	[illegible]	+7	De La Rue	264	641	+7	Manweb	1,400	457	-1	Smith & Nephew	2,700	155½	+1
Amstrad	1,200	28		Dixons	1,800	220	+3	Marks & Spencer	3,200	323	+3	SmKl Beecham	1,800	529	-1
Anglian Water	1,700	468	+15	Eastern Elect.	394	393	+7	Midlands Elect.	515	430	+4	SmKl Beecham Uts.	1,500	472	-4
Argos	546	268	+5	East Midland Elect.	26	386	+2	NFC	736	254	+1	Smiths Inds.	508	315	+2
Argyll Group	1,400	309	+3½	Eng China Clays	2,000	432	+3	NatWest Bank	5,700	397	+13	Southern Elect.	609	400	+2
Arjo Wiggins	4,000	165	+1	Enterprise Oil	2,200	493	-3	National Power	2,700	249	+6½	South Wales Elect.	285	472	+8
Ass. Brit. Foods	304	443	+½	Eurotunnel Units	566	365	-3	Next	3,100	114½	+9	South West Water	323	487	+8
Ass. Brit. Ports	232	305	+2	FKI	393	85		North West Water	432	474	+10	South West. Elect	131	426	+6
[illegible]															

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:	Oct 19	Nov 2	Nov 16
Option Declarations:	Oct 29	Nov 12	Nov 26
Last Dealings:	Oct 30	Nov 13	Nov 27
Account Day:	Nov 9	Nov 23	Dec 7

*New time dealings may take place from 8.30am two business days earlier.

American boost for Glaxo

SHARES IN Glaxo rebounded following buying in the US, prompted by a recommendation from one highly influential US securities house.

Dr Jonathan Gelles, the top-rated pharmaceuticals analyst at Wertheim Schroder, sent out a note reminding clients why Glaxo is on Wertheim's "most favoured" list.

He argues that the dividend is set to increase by 22 per cent per annum in the short term and sees the stock hitting £13 a share within 18 months. He says that while the Standard and Poor's industry average is expected to fall, Glaxo's earnings per share growth will rise to 20 per cent over the next few years. And he added that the house had been buying the stock very heavily behalf of US institutions. The shares were firm all day and closed 21 better at 820p.

Media activity

Selected media stocks were boosted by a re-evaluation of the prospects for satellite group BSkyB. Big shareholders, Pearson, News International and Granada were all strong performers yesterday.

Agency broker James Capel, Hoare Govett and Morgan Stanley have all significantly increased valuations. The figures range widely depending on whether debt is included and what discount rate is used. Hoare Govett estimates £3bn, up from £2.2bn at the end of last year, using a discount rate of 13 per cent and inflation of 3.5 per cent. The house bases its optimism on an increased take-up of more expensive subscriptions, the Premier league deal and renegotiated film contracts.

Granada which Hoare believes to be the "principal buy" among the shareholders, lifted 17 to 298p. News International which owns 50 per cent of BSkyB and is always a tightly-traded stock, gained 17 to 298p and Pearson, which has 16 per cent, rose 15 to 363p. Reed, which has around 3.7 per cent also firmed but was probably more influenced by switching from its new partner, the Dutch publisher Elsevier. It closed 7 higher at 599p.

Waters in demand

Water stocks were easily the best performers in a generally strong utilities area of the market as the institutions focused on the prospects of well-above market average dividend increases from the sector.

The water stocks' interim dividend season kicks off this morning with results from Thames Water, the biggest of the 10 privatised water companies as measured by market capitalisation and continues until December 17 when Wessex Water reveals its figures.

The general consensus around the market was that dividend increases across the sector will average around 9 per cent. Kleinwort Benson's utilities team expects the sector as a whole to report pre-tax profits of £846.5m, 7.4 per cent up on a year ago and dividends up an overall 8.7 per cent, ranging from 8 per cent at South West Water to 9.4 per cent at Severn Trent. Kleinwort maintains its recommendation that funds overweight in the sector should use any strength to lighten their holdings. Mr Steve Doe at Hoare Govett, on the other hand, maintained the sector "is still attractive relative to the market and the electricity sector."

Anglian was the best performer among the sector's Footsie constituents, adding 15 at 468p, followed by Severn Trent, 13 higher at 450p.

British Gas were given a strong push by market heavyweights such as Hoare Govett and Kleinwort Benson and settled 3½ ahead at 273p. Shell rose 5 to 538p, largely at the expense of BP which could manage only a minor improvement at 234¼p, after one of the leading UK integrated broking houses recommended a switch.

Lasmo dipped 1½ to 174½p ahead of tomorrow's seminar on its Indonesian gas interests.

Sentiment continued to strengthen ahead of Sainsbury's interim results tomorrow with market talk suggesting that sales had edged forward around 5 per cent on the same period last year. Trading was also said to have benefited from the group's recent promotion with British Airways. The shares rose 8½ to 510p. Some of Sainsbury's gains were at the expense of rival Tesco, off a penny at 232p.

A downgrade held Booker back, the shares retreating 6 to 359p. BZW trimmed £3m from its current year forecast to £99m, blaming difficult trading conditions in the food distribution business.

Slightly better than expected figures from Associated British Foods added a halfpenny to the shares to 443p although did nothing to improve the market outlook for milling and baking. Dealers linked this with the fall in bid target RHM, the shares down 12 to 263p xd a penny short of Tomkins alternative cash offer.

Barclays shares dipped early in the session after recent profits and dividend downgrades and the possibility of more to come were highlighted in the Sunday Press. They later rallied to close 4 higher at 350p, having touched 338p at the outset. Elsewhere, NatWest jumped 13 to 397p on 5.7m traded, and Standard Chartered 18 to 503p.

There was slight disappointment in the market with Prudential's restated 1991 figures, reworked under the accruals method, and the shares settled 2½ easier at 276p.

Invesco MIM, the UK fund management group, shot up 9 more to 24p after a number of big blocks of stock, totalling 22m shares, were crossed in the market at 77p a share. Late in the session it was announced that Daido Mutual Life Insurance had sold a 4.99 per cent stake in Invesco. Last week Peregrine Investments, the Hong Kong investment house backed by Mr Li Ka-Shing, increased its stake in Invesco to 14.9 per cent.

Turnover in British Steel rose to 16m as the shares closed unchanged at 47p, after Smith New Court cut its forecast and labelled the stock a sell down to 20p. The broker expects current year losses to reach £165m, against its previous estimate of a £50m loss.

Lucas Industries moved 9 ahead to 115p, after BZW was reported to have had a buyer of 1m shares. Simon Engineering bounced following last week's profits downgrading from Smith New Court and jumped 10 to 89p.

Nervous trading ahead of tomorrow's interim figures left William Cook 6 lighter at 89p.

Bargain hunters helped Tomkins recover some lost ground and the shares closed 10 up at 222p, as developments on the RHM bid were awaited.

Stag Furniture rose 21 to 95p as the market caught wind of an approach from a rival. The Midlands company confirmed the rumours but withheld the name of the bidder. There was speculation that bathroom maker Spring Ram (up a penny at 151p) was poised to launch an offer worth 105p a share.

Blue Circle Industries remained one of the market's takeover favourites, the shares jumping a further 8 to 175p.

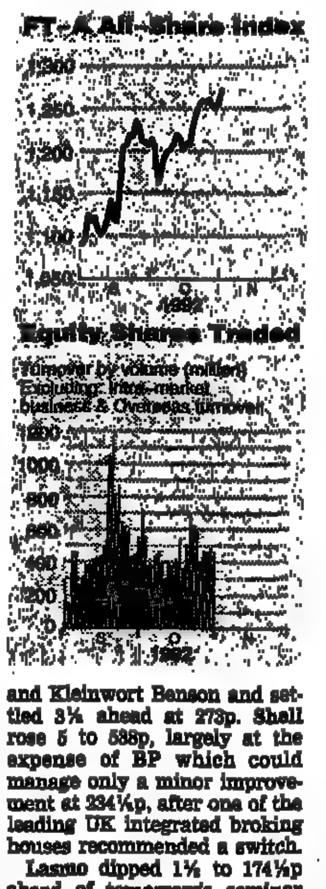
Weakness in the Allied Lyons last week was corrected, helped by analysts returning from a visit to the company's Spanish operations.

The recent strength in Queens Moat Houses continued as talk surrounding the hotel group's rumoured strategic discussions with Bass persisted. The latter also benefited from a reiterated buy stance from BZW and the shares lifted 7 to 558p. Shares in Queens Moat gained a penny to 44p.

Turnover in Tiphook, boosted by a block of 2.3m shares dealt at 231p a share, reached 4m. The stock closed unchanged at 239p.

MARKET REPORTERS: Christopher Price, Steve Thompson, Peter John, Joel Kibazo.

■ Other market statistics, Page 24



NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (146). [illegible]

NEW LOWS (42).
BUSINESS SERVS (2) Corp. Services, Welpac, CONGLOMERATES (1) Tollgate, CONTG & CONSTRCN (3) Brandon Hire, Green (E), Jackson, ELECTRICALS (1) Dowding & Mills, ELECTRONICS (1) Control Techniques, ENG GEN (4) Fenner, Haden MacLellan, Torday & Carlisle, Wagon Indl, FOOD RETAILING (2) Ashley 8½pc Pf., Greggs, HEALTH & HSEHOLD (2) Paterson Zochonis, Do N/V, HOTELS & LEIS (1) Tottenham Hotspur, INV TRUSTS (5) Contra-Cyclical Inc., Exmoor Dual Inc., Do Zero Pf., Lon. & Strathclyde, MEDIA (1) Clarke Hooper, MERCHANT BANKS (1) Wintrust, MTL & MTL FORMING (2) Brit. Steel, Cook (Wm), OIL & GAS (1) Crossroads, OTHER FINCL (3) Beltic, Do 7pc Pf., Lightship, PACKG, PAPER & PRINTG (1) Buhrmann-Tetterode, PROP (4) Dencora, Mountview, Shaftesbury, Whitney Mackay-Lewis, STORES (1) Alexon, TEXTS (3) Shiloh, Tomkinsons, Wensum, TRANSPORT (1) Tibbett & Britten, MINES (2) Joel (H.J.), Monarch.

FINANCIAL TIMES EQUITY INDICES

	Nov 2	Oct 30	Oct 29	Oct 28	Oct 27	Year ago	High	Low
Ordinary share	1996.1	1963.8	1948.7	1956.5	1978.5	[illegible]	2149.7	1670.0
Ord. div. yield	4.59	4.65	4.67	4.65	4.59	5.02	5.34	4.24
Earning yld % full	6.50	6.59	6.62	[illegible]	6.56	7.69	-	-
P/E ratio net	19.62	19.36	19.28	19.10	19.38	16.31	20.84	15.79
P/E ratio nil	18.13	17.90	17.82	17.76	18.00	15.41	-	-
Gold Mines	73.2	73.2	73.9	73.7	74.7	154.7	160.6	65.0

*For 1992 Ordinary share index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
1962.0	1958.5	1958.3	1964.6	1976.1	1977.7	1977.1	1984.4	1992.3	1996.3	1955.7

Volume	Nov 2	Oct 30	Oct 29	Oct 28	Oct 27	Year ago
SEAQ Bargains	25,214	27,885	23,526	22,061	23,493	23,894
Equity Turnover(£m)†	-	1065.1	1267.1	[illegible]	1035.0	853.83
Equity Bargains†	-	31,237	28,049	[illegible]	26,168	22,774
Shares traded (mil)†	-	472.5	[illegible]	468.4	472.3	451.6

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p at all other times.

EQUITY FUTURES AND OPTIONS TRADING

DEALERS in the derivative markets reported a dull session with investors said to have been in a cautious mood ahead of today's US presidential election and tomorrow's Maastricht debate in the UK, writes Joel Kibazo.

In futures, the December contract on the FT-SE opened at 2,679 and immediately came under selling pressure which drove it down to 2,666, the day's low point, within the first hour of trading.

Thereafter, December moved steadily forward and by midday was trading at 2,682. During the afternoon, a squeeze on the back of a firm Wall Street sent the contract sharply forward to recover some of the earlier losses. For most of the session December traded at a 5 to 10-point premium. It finished at 2,714, around 30 points above its estimated fair value premium to cash, which has come back this account to around 17 points. Turnover was 7,198 contracts.

In traded options, volume remained poor, reaching only 22,749 lots, but was an improvement on Friday's meagre 19,164 contracts. The FT-SE 100 option traded 5,448 contracts and some 3,284 lots were dealt in the Euro FT-SE option.

British Steel led the league table among the stock options with 2,977 contracts. That total included a seller of 1,000 April 60 calls at 2p. This was followed by BP, in which 1,260 lots were transacted.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100	FT-SE MID 250	FT-A ALL-SHARE
2687.8 +29.5	2541.8 +20.2	1269.55 +12.88

	Nov 2	Oct 30	Oct 29	Oct 28	Oct 27	Year ago	1992 High	1992 Low	Since compilation High	Since compilation Low
FT-SE 100	2687.8	2658.3	2642.3	2650.4	2669.8	2540.9	2737.8	2281.0	2737.8 11/5/92	986.9 23/7/84
FT-SE Mid 250	2541.9	2521.6	2513.8	2515.3	2515.6	2534.0	2825.0	2157.8	2825.0 20/5/92	1379.4 21/1/86
FT-SE-A 350	1294.9	1281.5	1274.5	1277.8	1285.3	1238.4	1342.7	1103.1	1342.7 11/5/92	664.5 14/1/86

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2657.1	2651.4	2649.5	2653.6	2658.8	2661.4	2663.0	2670.5	2684.6	2687.8	2649.1
FT-SE Mid 250	2519.9	2519.8	2520.0	2525.8	2530.2	2530.6	2530.4	2533.1	2538.1	2541.8	2519.8
FT-SE-A 350	1280.8	1278.6	1277.9	1280.1	1282.5	1283.6	1284.2	1287.3	1293.4	1294.9	1277.8

Gross dividend yield (ACT at 25%) FT-SE 100:4.48%

FT-Actuaries All-Share

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Monday November 2 1992: Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Fri Oct 30 Index No.	Thu Oct 29 Index No.	Wed Oct 28 Index No.	Year ago (approx) Index No.
[illegible]										

FT-SE Actuaries 350 Industry Baskets

Hourly	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous close	change
[illegible]												

LONDON SHARE SERVICE

BRITISH FUNDS — BRITISH FUNDS - Cont. — BRITISH FUNDS - Cont. — OTHER FIXED INTEREST

[illegible]					

LONDON SHARE SERVICE

AMERICANS

Notes	Price £	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs h	18 xd	+⅛	19⅛	14⅝	15,762	2.0
♥Allegheny & W	447p	—	451p	226p	232.3	4.2
Amdahl	519p	+16	1159p	455p	582.8	1.2
Amer Cyanamid	36⅝	+⅜	37	28⅞	3,304	2.8
Amer Express	13¾ xd	+[illegible]	13⅞	10[illegible]	6,555	4.6
Amer T & T	25⅛ xd	+⅛	28[illegible]	20⅛	37,403	3.0
Ameritech	43⅛	+⅞	43⅞	32½	18,991	5.1
BankAmerica	27xd	+[illegible]	27¼	19[illegible]	9,393	3.0
Bankers NY	41¼ xd	+⅝	41½	28⅞	3,310	4.3
Bell Atlantic	31	+¼	31	23¼	13,383	5.3
BellSouth	33½	+⅞	33½	25	16,277	5.2
♥Bethlehem Steel	8[illegible] xd	−[illegible]	9⅝	6¼	724.3	–
Bowater	1371psd	+30	1576p	905p	495.6	5.5
CPC h	32[illegible] xd	+⅞	32[illegible]	22⅞	4,866	2.4
♥Cadiz Land Inc	188p	—	342p	108p	–	–
California Engy	989p	+75	989p	591p	165.8	–
Chase Manhattan	15[illegible] xd	−⅛	16½	9⅞	2,306	4.9
Chrysler	17½ xd	+[illegible]	17½	6¼	5,117	2.2
Citicorp	10¾ xd	—	11¼	5⅜	3,909	–
Colgate-Palm	38½ xd	+¼	38½	25¼	6,137	2.0
Cont'l Bank	1109p	—	1112p	499p	1,120	3.4
Dana	27[illegible] xd	+[illegible]	27[illegible]	14[illegible]	1,262	3.7
Data General	666p	+4	1004p	384p	192.6	–
♥Decora Inds	182p	—	122p	66p	–	–
Dun & Brad	37½	+½	37½	27⅞	6,690	3.8
Eaton	47	+⅞	48¼	32½	1,622	2.9
Echlin	12[illegible] xd	+[illegible]	12[illegible]	7⅛	736.8	3.4
FPL	23½ xd	—	23½	17[illegible]	4,244	6.5
Fluor	28¾ xd	+[illegible]	29¼	19¼	2,381	0.9
Ford Motor	23½ xd	−⅛	25⅞	15	11,457	2.7
Gen Elec	49½ xd	—	49½	36¼	42,288	3.0
♥General Host	509p	+3	699p	360p	–	3.7

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

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LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv	♣†	176½	+½	178	[illegible]	3.3	210.6	16.1
Warrants		29	—	38	21	–	–	–
Scot Mortgage	♣†	166½xd	+1	170	135	3.1	195.0	14.9
Scot National Inc	♣	85	—	107	65¼	13.7	–	–
Cap		19½	+½	42	[illegible]	–	–	–
Stepped Pf		164½	—	154¾	126	5.2	–	–
Zero Div Pf		197	+½	197	168½	–	–	–
Warrants		5½	—	9	3	–	–	–
Scot Value	†a	62	—	64	48	3.9	83.0	1.5
Sec Alliance	♣	1280	+8	1293	1066	3.8	1464.3	12.9
Second Market	♣	255	—	255	222	[illegible]	301.6	15.6
Sec Tst Scot	♣	69½xd	+1	76½	61	8.2	76.1	9.0
Select Assets		100	—	102½	76½	1.2	152.0	34.6
Eq Ind Serl		119	+1	[illegible]	106	4.8	–	–
Eq Ind Serl		119	+1	123	106	4.6	–	–
SHIRESCOT		96	—	99	95	–	98.9	3.0
Shires	♣	205	+1	240	186	12.0	213.2	4.1
11pc Cv Ln '03/04		£104½	—	£119½	£95½	10.5	–	–
Siam Select		93	+3	93	69	0.4	133.6	30.9
Warrants		11	—	21	[illegible]	–	–	–
Smaller Cos		66	—	85	66	6.1	77.6	15.6
Warrants		13	—	20	10	–	–	–
Somerset Tst		114	—	140	55	–	87.5	-30.2
Sphere Inc	N	13xd	+¼	[illegible]	9½	31.8	22.8	41.0
Zero Div Pf		75½	–½	77¾	63¼	–	–	–
Sumit		35	—	65	[illegible]	4.8	93.3	62.5
TR City of Lon		116½	+½	127½	97½	5.4	116.4	0.1
TR Euro Growth		76	—	99	70	2.4	100.6	24.5
Ptg Sub		39	—	64	33	5.5	–	–
TR Far East Inc		107	+1	107	76	5.7	121.0	12.0
Warrants		17½	+½	22	12	–	–	–

MEDIA - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ulster TV	†	284	—	289	154	27.7	3.8	16.3
Utd News		460	+3	480	323	917.7	6.1	15.8
VTR		44	—	65	43	3.22	10.3	11.2
WPP		42	–1	116	31	97.4	–	–
Warrants		5	—	8½	1½	0.25	–	–
Walmoughs	†	455	—	480	391	148.4	3.1	19.8
Yorkshire Tyne-T		138	—	161½	130	64.9	12.3	4.6
Warrants		10	—	16	9	0.09	–	–

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		28	—	34	26	62.3	–	–
Barings 8pc Cm 2nd Pf		90xd	–1	101	83½	12.8	11.1	–
9¾pc Non-Cum Pf		117xd	–1	125	103¼	46.8	11.1	–
Close Bros		221	—	287	205	64.9	5.7	9.8
Hambros	♣	240	—	282	202	420.6	7.4	9.1
7½pc Cv Pf		109½	–½	119	91½	162.6	9.2	–
Joseph (L)		306	—	333	308	18.2	6.9	–
Kleinwort Benson		301	+1	324	212	203.4	7.1	28.3
Rea Bros		34	—	37	25	13.3	2.0	–
Schroders	♣†	1360	—	1365	1043	682.6	1.8	16.1
N/V	†	1190	—	1158	883	144.4	2.2	12.8
Singer & Fried	♣	40	—	50	34	76.9	8.3	8.8
Warburg (SG)	♣	692	+12	695	403	1,112	4.5	10.7
8pc Cv Pf		181	—	204	137	77.8	4.4	–
Wintrust		193	–4	253	198	16.4	6.4	7.4

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ¥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ Free annual/interim report available, see details below.
- ◊ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ▯ Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ◆ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
v Not subject to ACT
z Dividend yield includes a special payment
E Auction basis
F Yield based on
official estimates for 1993-94.
H Yield based on prospectus or other official estimates for

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1200 a year for each security shown, subject to the Editor's discretion

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FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

AUTHORISED UNIT TRUSTS

Init Chrge | Canc Price | Bid Price | Offer Price | + or - | Yield Grs

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often well above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♠) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♦) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point, a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

The Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH. Tel: 071-379-0444.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Stern (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	116.10	116.50	122.60	-2.40	6.36
Pooled Pension $	3½	139.4	139.9	144.7		–
Smaller Cos	5	50.06	51.91	54.64	-0.62	2.75
UK General	5	107.60	109.50	115.00	+0.10	2.65
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	345.40	345.40	366.12	+1.14	5.63
Global Inc	5	49.44	49.44	52.41	+0.86	4.61
Brit. Leaders	5	294.36	294.36	312.02	+1.00	3.27
Intl Leaders	5	161.94	161.94	171.66	+1.04	1.91
[illegible]	3½	47.17	47.94	49.81	+0.26	4.30
[illegible]	3½	47.17	47.94	49.81	+0.26	4.30
Singer & Friedlander UT Mngmt Ltd (1000)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	45.88	46.03	48.9	+0.4	1.82
Far Eastern Tst	6	52.57	53.00	56.38	+0.04	0.87
Smaller Cos	5	108.0	112.3	119.4	-0.2	2.97
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W American $	5	248.4	248.9	263.3	+1.4	0.97
S & W Capital	5	104.2	104.2	111.5	+0.3	2.03
S & W Cash $	0	100.86	100.86	100.86	+0.01	8.46
S & W European	5	103.0	103.2	109.2	+0.7	1.44
S & W Far Eastern	5	106.4	107.2	113.4	+1.0	0.05
S & W Growth	5	111.3	112.4	118.9	+0.4	1.57
S & W Income	5	95.41	96.75	102.3	+0.3	5.65
S & W Magnum	5	110.4	110.4	118.3	+0.4	1.93
S & W Smllr Secs	5	243.8	249.6	264.1	+3.2	0.96
S & W [illegible]	5	127.3	127.3	136.3	+0.4	1.94

[illegible]

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Whittingdale Unit Tst Mgmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	87.43	87.43	89.46	+0.61	0.00
Short Dtd Gilt	1¼	106.5	106.5	107.9	-0.5	1.93
U.S. Govmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Gilt Income	4	51.29	51.29	53.37	-0.23	8.68
Gilt Growth	4	63.56	63.56	66.17	-0.05	0.00
City Reserve	0	54.97	54.97	54.98	+0.01	8.9
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 388046						
Stockmarket Fd F	5	59.14	59.28	63.06	+0.48	2.76

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expt Oct 28	636.5	680.2		1.06
James Capel Fund Managers Ltd				
Managed Exempt	117.595	124.36	+0.311	4.34
Cent. Bd. of Fin. of Church of England‡‡				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Inv Fund Sep 30	517.80	519.90		5.69
Fxd Int Sec Sep 30	144.40	145.00		10.00
Deposit Fund. See Money Market Trust Funds.				
Charinco/Charishare‡‡ (1000)F				

[illegible]

INSURANCES

[illegible]

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Stramongate, Kendall, Cumbria LA9 4UB 0539 733733

Managed Fund see Balanced Growth Managed Fund

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
Balanced Gwth Mngd	605.1	643.8	-2.1	-
Adventurous Mngd	145.8	155.2	+1.5	-
Cautious Mngd	117.4	124.9	+0.4	-
Cash Fd.	312.7	329.6	...	-
Property Fund	217.1	231.0	+0.3	-
Equity Fund	695.2	739.6	+6.0	-
Fxd. Int. Fund	386.3	407.1	+2.0	-
International	315.2	335.4	+3.1	-
High Income	520.1	553.4	-1.5	-
Far East	427.6	454.9	+6.1	-
North American	394.7	419.9	+4.4	-
Special Sits.	482.1	512.9	-0.2	-
Technology	386.9	411.7	+3.9	-
Extra Inc Fd.	284.3	302.5	-0.3	-
Convertible & Gilt Fd	137.5	146.3	+0.4	-
American Income	164.8	175.4	+1.9	-
Gilt Fund 20	436.6	464.5	-0.3	-
European Fund	112.2	119.4	+0.4	-
Pref & Fixed Int.	104.3	111.0	+0.2	-
UK Blue Chip.	108.6	114.5	+0.1	-
Recovery Fund.	99.2	104.6	+0.4	-
Equity Income Dist.	96.2	102.4	+0.3	5.02
Managed Dist.	92.9	98.9	+0.3	5.32
High Yield Dist.	99.3	104.7	+0.1	7.71
Pension Funds				
Balncd Gth Mngd Pens Acc.	695.1	731.7	+3.8	-
Adventurous Mngd Pens Acc.	151.7	159.7	+1.6	-
Cautious Mngd Pens Acc.	133.9	141.0	+0.4	-
Building Soc. Acc.	359.3	378.3	...	-
Property Pens. Acc.	294.8	310.4	+0.6	-
Fix. Int. Pens. Acc.	607.4	639.4	+1.1	-
Equity Pens. Acc.	879.0	925.3	+9.0	-
International Pens Acc.	289.6	304.9	+3.4	-
High Inc Pens Acc.	579.2	609.7	+1.7	-

Reliance Mutual

Reliance House, Tonbridge Wells, Kent 0892 510033

	Bid Price	Offer Price	+ or -	Yield Gross
Deposit Acc Fd.	166.1	174.8	...	-
Equity Acc Fd.	371.5	391.1	-0.2	-
Managed Acc Fd.	328.9	346.3	---	-
Prop Fd (1st Issue)	-	594.5	---	-
Prop Acc Fd (2nd Iss)	119.4	125.7	...	-
Unit Trust Mn. Fd.	146.5	154.2	...	-
RL Pension Funds				
Deposit Acc.	240.3	253.0	+0.2	-
Equity Acc.	270.3	284.5	-0.3	-
Fixed Int Acc.	243.8	256.6	...	-
Gilt Indx Lnk Acc.	185.3	195.1	---	-
Managed Acc.	360.1	379.0	---	-

J Rothschild Assurance PLC

J Rothschild House, Dollar Street, Cirencester

Telephone: 0285 640302 Helpline: 041 307 6500

	Bid Price	Offer Price	+ or -	Yield Gross
Life Funds				
JRA/M&G Managed	106.0	111.6	+0.70	-
JRA/Scottish Amicable Mngd	100.7	106.1	+0.40	-
JRA/St James's Place Mngd	109.1	114.9	+0.70	-
Deposit	99.00	104.3	+0.10	-
Far East	112.3	118.3	+1.30	-
Gilts	104.6	110.2	+0.20	-
Greater European	108.4	114.2	+1.10	-
North American	117.8	124.0	+1.10	-
UK Equity	103.8	109.3	+0.40	-
Pension Funds				
JRA/M&G Managed cap.	103.2	108.7	+0.60	-
JRA/M&G Managed acc.	106.1	111.7	+0.60	-
JRA/Scottish Amicable Mngd cap.	97.00	102.2	+0.30	-
JRA/Scottish Amicable Mngd acc.	99.70	105.0	+0.50	-
JRA/St James's Pl Mngd cap.	111.2	117.1	+0.60	-

MANAGEMENT SERVICES

OFFSHORE INSURANCES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

هكذا اصل الأصل

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stra Gwth	£20.00	21.06	...	-
Intl SUS Gwth	$17.62	18.55	...	-
High Income Gilt	£25.87	26.81	...	-
International Equity	£20.17	21.24	...	-
International Bond	£22.40	23.22	...	-
Managed Currency	£27.28	27.57	-	-
Sterling Currency	£26.26	26.54	-	-
US$ Currency	$37.67	38.06	...	-
Irish £ Currency	I£14.98	15.14	-	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£8.77	9.44	...	-
B.F. Offshore Int Fd Ltd	£11.30	11.82		-
Nelson Miles W/W $	£8.85	9.23		-
LFM Sterling Fd	£11.03	11.50	..	-

	Bid Price	Offer Price	+ or -	Yield Gross
Lloyds Bank Trust Co (CI) Mngrs				
Lloydstrust Wrt. Dr Port	£2.496	2.558	.....	1.18
Dealing weekly on Thursday				
Management International (Jersey) Ltd				
Anchor Gilt Edge (z)	£9.86	9.91	-0.02	9.49
Minerals, Oils Res. Shrs. Fd. Inc.				
Mores Oct 22	$13.71	14.00	-	2.86
Nat. Westminster Jersey Fd. Mgrs. Ltd				
Sterling Income(z)	53.7	56.0	+0.01	8.43
UK Equity Fd (z)	206.8	220.0	---	2.91
*Intl Bond Fd	98.9	102.0	---	7.19
**Natural Resources Fd	110.2	117.0	(z)	0.43
*Sterling Mngd Accs Fd	530.7	559.0	......	5.00
*Sub. day every Thurs. **Sub. day monthly 5th and 20th				
NatWest TrustCor Currency Fund (z)				
Dollar Class	$38.0794		-0.0083	-
Sterling Class	£26.7180		+0.0056	-
D-Mark Class	DM82.7674		+0.0189	-
Dutch Guilder Class	Dfl82.3124		+0.0163	-
Japanese Yen Class	Y7935.1528		+0.6718	-
Ashburton Replica Portfolio Ltd				
Ashburton Replica Pfolio Ltd £	21.09	11.52	-	-
Ashburton Replica Pfolio Ltd $	$10.28	10.66	.....	-
Northgate Unit Tst. Mngr. (Jersey) Ltd				
Pacific Fund Oct 29	$34.27	36.47	-	-
Perpetual UT Mngrs (Jersey) Ltd				
Offshore Intl Gwth Fd	$3.6124	3.8389	-	-
Offshore Japanese Gwth Fd	$0.8984	0.9548	.....	-
Offshore Am Gwth Fd	$6.0536	6.4332	-	-
Offshore Emerging Cos	$3.3925	3.6053	.....	-
Offshore European Fd	$1.4747	1.5672	.....	-
Offshore Far Eastn Fd	$2.1876	2.3248	.....	-
Offshore UK Growth Fd	$1.7646	1.8753	.....	-
The Portugal Fund Limited				

JERSEY (SIB RECOGNISED)

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Grs
AIB Fund Managers (CI) Ltd						
PO Box 468 St Helier Jersey 0534 36633						
AIB Currency Funds Ltd						
Intl Managed Bond	5		U- 20.8415	20.8879		-
Managed Capital Bo	5		U- 20.8924	20.9236		-
AIB Grofund Currency Fund Limited						
Stlg Mngd Currency	5		£-	10.8771		-
Sterling Currency Fd	5		£-	10.4608		-
Ecu Currency	5		Ecu-	10.5944		-
US Dollar Mngd Curr	5		$-	21.4611		-
Barclays International Funds						
PO Box 152, St Helier, Jersey CI 0534 67888						

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar breaks crucial barrier

THE DOLLAR broke through the crucial barrier of DM1.56 against the D-Mark yesterday, the highest it has reached since plummeting to a historic low against the German currency two months ago, *writes James Blitz.*

A dollar rally was expected in the aftermath of today's US presidential election. Many dealers believe that Mr Bill Clinton's likely victory as President will lift US interest rates because of his commitment to increased fiscal spending.

But the fact that the US currency rallied on the eve of the election was interpreted yesterday as another indication that the dollar is on the verge of a long term move upwards.

A leading UK-based fund manager said technical analysts were particularly excited that the dollar had broken through DM1.56, a key chart point which marks the average close of the dollar in the last 200 days. He added that this was the sort of technical breakthrough which tends to encourage longer term investors, who change their positions every six months or so, to buy the currency. "We ourselves have shifted our portfolios to reflect a long term upturn in the dollar," he said.

Two specific factors helped to push the currency to a high of DM1.5695 in Europe and a close of DM1.5690 (in New York the dollar subsequently eased back to end at DM1.5645).

First was the release of September's industrial production figures in Germany, showing a 2 per cent fall, and increasing speculation that the Bundesbank will cut market rates more quickly than anticipated.

Compounding the bullishness was the October report of the National Association of Purchasing Managers in the US, which rose to 50.6 per cent from the previous month's level of 49 per cent. A reading above 50 per cent tends to indicate that the manufacturing sector is expanding.

Some dissonant voices still believe that the dollar will falter after the election. Mr Jim O'Neill, head of research at Swiss Bank Corporation in London, believes that most of the operators who want to buy dollars in anticipation of a Clinton victory have already bought them – and that there will not necessarily be a follow-through if he is elected.

Providing additional uplift for the dollar was sterling's intrinsic weakness, the product of the political uncertainty engulfing the UK. Dealers are nervous that Mr John Major's government will lose a crucial debate on the Maastricht ratification bill in parliament on Wednesday night.

The pound yesterday fell to a three-year low against the dollar of $1.5300 before closing at $1.5320. Against the D-Mark it finished nearly a pfennig down at DM2.4030. A vote against the Maastricht treaty tomorrow would probably push sterling lower. Mr O'Neill says that, in this event, DM2.30 would be a likely short term target.

£ IN NEW YORK

Nov 2	Close	Previous Close
£ Spot	1.5340 - 1.5350	1.5557 1.5567
1 month	0.69-0.64pm	0.67 0.66pm
3 months	1.50-1.45pm	1.55 1.50pm
12 months	4.00-3.90pm	4.10 3.90pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY MOVEMENTS

CURRENCY RATES

OTHER CURRENCIES

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Oct 30	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4497	-3.59	4.10	59
Dutch Guilder	2.29193	2.21196	-3.49	3.99	46
D-Mark	2.03412	1.96542	-3.38	3.87	52
Danish Krone	7.75901	7.55480	-2.63	3.08	[illegible]
French Franc	6.82216	6.66863	-2.25	2.67	-17
Irish Punt	0.759300	0.746579	-1.68	2.07	[illegible]
Portuguese Escudo	176.844	175.622	-0.69	1.06	[illegible]
Spanish Peseta	139.176				

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Yen per 1,000. French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

LONDON (LIFFE)

CHICAGO

PARIS

BASE LENDING RATES

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

France cuts rates

CASH RATES in the French franc money market eased sharply yesterday after the Bank of France cut its intervention rate for the first time since December 1991, *writes James Blitz.*

Elsewhere in Europe, cash and futures trading was a good deal quieter. In Britain, money market dealers are waiting for tomorrow's vote in the House of Commons on the paving bill for the Maastricht treaty.

The Bank of France's decision to cut its money market intervention rate to 9.35 per cent from 9.60 per cent was the clearest sign yet that France has won the battle to save the franc.

It was accompanied by a cut in the five to 10-day rate from 10.5 per cent to 10.25 per cent, and a comment from Mr Michel Sapin, the French finance minister, that France has recovered all the reserves spent during the recent currency crisis.

The three-month offered rate for francs fell to 9¾ per cent from the 9$\frac{11}{16}$ per cent of Friday night, although French franc futures were mostly unchanged because much of the derivatives market was shut.

One London trader suggested that the cash rates could fall further, as French three-month rates remain some 80 basis points above Germany's.

In the sterling markets, fears that the UK government could be defeated in the Maastricht bill on Wednesday caused new nervousness. A rejection of the treaty would probably trigger sharp falls at the front end of the futures market.

However, the market was undecided yesterday on how to act. The pound's fall on the foreign exchanges injected some bearishness into the futures. But this was relieved by easier liquidity in the sterling cash market which reduced the short-dated rates.

Most of the £850m shortage forecast by the Bank of England at the start of trading was removed in the early round via a repurchase agreement.

One-month money declined to 8$\frac{1}{16}$ per cent offered, from the 8¾ per cent registered on Friday night. The three-month offered rate was ⅛ lower at 7⅝ per cent.

In the German money market, conditions remained tight following the end-of-month liquidity problems seen on Friday. Call money was quoted slightly higher at between 8.95 and 9 per cent.

UK clearing bank base lending rate 8 per cent from October 16, 1992

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

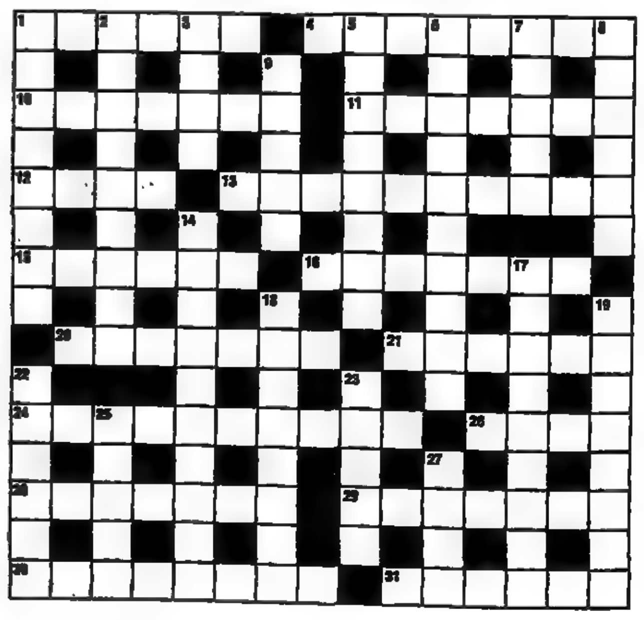
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.7,993 Set by ADAMANT



P has the same meaning throughout

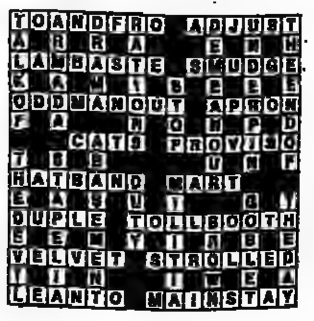
ACROSS

1 Got the crosses cut down (6)
4 P found urban disturbance in venerable surroundings (3,5)
10 An early green P? (7)
11 Little time for the supporters in the combat (7)
12 P could be fat after time (4)
13 P needed new horse that is broken in (10)
15 P has change of career, putting in time out east (6)
16 Knew the year of the P (7)
20 Book of Roman law and Russian painting (7)
21 Anger over the inclusion of a P (6)
24 P has to change in flight, not coming back (10)
26 Get across to the P (4)
28 Me fall about? I would get into disrepute (3-4)
29 Enthusiasts who put the wind up the driver? (3,4)
30 Journalist, who followed the P, cleaned up (8)
31 No more change for the P (6)

DOWN

1 Intriguing, how it coils round after a quiet start (8)
2 Not the main body of fighters (4,5)
3 Goes overboard for self-centred creatures (4)
5 Found the solution and the internal sewer repaired (8)
6 Blow the bribe! (10)
7 The four leading renegades intially wanted to make a fresh start (5)
8 Space agency has way to make the organ stop (6)
9 Equipment found in Roman villas (5)
14 According to the rules, the envoy can take it up the motorway (10)
17 It takes the lead in demonstrating a vocation (3-6)
18 Playwright who might well know King George's first lady (8)
19 Lie in bed suffering from something uneatable (8)
22 Like a bird with a cry of pain, left his treatment (6)
23 At ease with fellow in my firm at first (5)
25 A meal ticket, so packaged, is just the shot (5)
27 Ruin a French party (4)

Solution to Puzzle No.7,992



WORLD STOCK MARKETS

AUSTRIA — BELGIUM/LUXEMBOURG — DENMARK — FINLAND — FRANCE — GERMANY — NETHERLANDS — ITALY — NORWAY — SPAIN — SWEDEN — SWITZERLAND — SOUTH AFRICA — JAPAN — AUSTRALIA — HONG KONG — MALAYSIA — SINGAPORE

[illegible]

CANADA

TORONTO

4 pm close November 2

Quotations in cents unless marked $

[illegible]

MONTREAL

4 pm close November 2

[illegible]

INDICES

NEW YORK

DOW JONES	Nov 2	Oct 30	Oct 29	Oct 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3262.21	3226.28	3246.27	3251.40	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.23	102.41	102.27	102.30	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1366.01	1352.31	1361.58	1356.14	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	220.35	220.14	219.70	218.14	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Indl Day's High 3274.64 (3260.59) Low 3211.42 (3208.45) (Theoretical)
Day's High 3262.21 (3250.59) Low 3221.68 (3224.12) (Actual)

STANDARD AND POOR'S

	Nov 2	Oct 30	Oct 29	Oct 28	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	422.75	418.68	420.86	420.13	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	495.82	490.76	493.35	492.66	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	37.13	36.84	37.09	37.06	37.13 (2/11)	32.40 (8/4)	37.13 (2/11/92)	8.64 (1/10/74)
NYSE Composite	232.48	230.57	231.42	230.91	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	382.70	381.72	381.29	379.00	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	607.57	605.17	605.82	601.39	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Oct 30	Oct 23	Oct 16	year ago (approx.)
Dow Industrial Div. Yield	3.21	3.24	3.27	3.03

	Oct 28	Oct 21	Oct 14	year ago (approx.)
S & P Industrial div. yield	2.68	2.72	2.76	2.73
S & P Indl P/E ratio	27.52	27.22	26.77	21.17

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Gen Motors	3,158,600	31⅞	+ 1⅛
Gen Motors E	2,877,100	28	- 1
Merck	2,473,400	44⅝	+ ⅛
IBM	2,320,400	69	+ 2⅛
Telefonos	2,114,700	51⅛	+ ⅛
Philip Morris	1,968,100	77	+ 1
Time Warner	1,827,500	23⅛	+ ⅛
K Mart	1,652,000	27	+ ⅛
Abbott Lab	1,580,100	29⅝	+ ⅛
Adv Micro	1,525,800	15⅞	- ⅛

TRADING ACTIVITY

† Volume (Millions)	Nov 2	Oct 30	Oct 29
New York SE	201.620	196.740	206.308
Amex	13.437	13.242	15.663
NASDAQ	(u)	193.083	214.474
NYSE			
Issues Traded	2,355	2,345	2,343
Rises	1,092	859	963
Falls	738	880	774
Unchanged	525	606	606
New Highs	85	61	74
New Lows	39	39	29

CANADA

TORONTO	Nov 2	Oct 30	Oct 29	Oct 28	1992 HIGH	1992 LOW
Metals & Minerals	2794.69	2772.11	2753.63	2745.96	3238.87 (16/1)	2603.82 (15/10)
Composite	3379.04	3336.10	3336.00	3334.71	3666.00 (16/1)	3195.40 (14/10)
MONTREAL Portfolio	1794.78	1763.66	1764.61	1764.70	1937.59 (16/1)	1663.16 (14/10)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ♦ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's).

	Nov 2	Oct 30	Oct 29	Oct 28	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
All Mining (1/1/80)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
AUSTRIA						
Credit Aktien (30/12/84)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Traded Index (2/1/91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BELGIUM						
BEL20 (1/1/91)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
DENMARK						
Copenhagen SE (3/1/83)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FINLAND						
HEX General (28/12/90)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
FRANCE						
CAC General (31/12/81)	(c)	460.91	465.32	466.57	555.93 (12/5)	[illegible]
CAC 40 (31/12/87)	(c)	1742.40	1730.87	1749.86	2077.49 (11/5)	[illegible]
GERMANY						
FAZ Aktien (31/12/58)	586.67	591.40	592.30	603.98	725.26 (26/5)	[illegible]
Commerzbank (1/12/53)	1656.70	1670.2	1674.10	1707.00	2043.80 (25/5)	[illegible]
DAX (30/12/87)	1472.57	1492.32	1493.64	1510.30	1811.57 (25/5)	[illegible]
HONG KONG						
Hang Seng Bank (31/7/64)	6231.17	6290.69	6117.50	6126.98	6329.12 (22/10)	[illegible]
IRELAND						
ISEQ Overall (4/1/88)	1143.52	1144.86	1154.77	1150.68	1469.57 (17/1)	[illegible]
ITALY						
Banca Com. Ital. (1972)	446.25	439.03	428.51	427.05	551.59 (6/2)	[illegible]
MIB General (2/1/92)	886.0	871.0	848.0	844.0	1086.00 (5/2)	[illegible]
JAPAN						
Nikkei (16/5/49)	16853.36	16767.40	16937.71	17068.41	23801.18 (6/1)	[illegible]
Tokyo SE (Topix) (4/1/68)	1280.44	1278.91	1287.13	1292.39	1763.43 (6/1)	[illegible]
2nd Section (4/1/68)	1657.42	1667.94	1675.87	1682.13	2409.85 (6/1)	[illegible]
MALAYSIA						
KLSE Composite (4/4/86)	649.06	641.31	637.13	633.31	649.06 (2/11)	[illegible]
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	286.4	284.5	286.1	287.9	314.90 (9/6)	[illegible]
CBS All Shr (End 1983)	193.0	191.8	192.8	194.1	215.50 (26/5)	[illegible]
NORWAY						
Oslo SE (Ind) (2/1/83)	615.94	618.92	618.13	617.53	772.74 (18/5)	[illegible]
PHILIPPINES						
Manila Comp (2/1/85)	(c)	1361.40	1357.81	1331.36	1580.95 (11/6)	[illegible]
SINGAPORE						
SES All-Singapore (2/4/75)	371.30	364.44	364.15	366.65	416.99 (21/1)	[illegible]
SOUTH AFRICA						
JSE Gold (28/9/78)	815.0§	815.0	815.0	821.0	1527.00 (21/1)	[illegible]
JSE Industrial (28/9/78)	4012.0§	4013.0	4016.0	4000.0	4689.00 (4/6)	[illegible]
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	621.97	610.09	605.78	585.34	691.48 (8/2)	[illegible]
SPAIN						
Madrid SE (30/12/85)	197.78	198.47	196.62	197.53	266.51 (28/2)	[illegible]
SWEDEN						
Affarsvarlden Gen. (1/2/37)	713.20	706.9	714.00	726.10	1014.50 (11/5)	[illegible]
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	848.0	843.6	838.2	839.3	883.40 (11/5)	[illegible]
SBC General (1/4/87)	643.0	641.5	639.6	641.3	682.30 (11/5)	[illegible]
TAIWAN**						
Weighted Price (30/6/66)	3559.51	3632.73	3640.90	3670.90	5391.63 (30/1)	[illegible]
THAILAND						
Bangkok SET (30/4/75)	950.23	940.35	931.36	917.89	950.23 (2/11)	[illegible]
WORLD						
M.S. Capital Intl.(1/1/70) ($)	485.1*	486.4	487.5	489.7	542.10 (7/1)	[illegible]
Euro Top-100 (26/6/90)	824.96	822.71	820.06	826.33	976.55 (25/5)	[illegible]

**Saturday October 31: Taiwan Weighted Price: (c). Korea Comp Ex. 615.58
§ Subject to official recalculation.
*Calculated at 15.00 GMT
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500.
(c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Monday, November 2, 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	4.1m	1,400	-80
Gajoen Kanko	2.4m	165	+12
Nippon Juski	2.3m	212	-21
Aishin Seiko	2.2m	1,140	
Toshiba Corp	2.0m	592	+9
Nomura Sec	2.0m	1,380	-50
Nippon Mining	1.8m	439	-6
Mitsubishi Heavy	1.6m	528	
Meiji Milk Prod	1.6m	822	-4
Sumitomo Chem	1.5m	475	+5

4 pm close November 2

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15 7/8	11	AAR Corp	0.48	4.0	19	274	12	11 7/8	12	+1/8
27 3/8	18	A L Labs A	0.18	0.7	96	473	27 1/4	26 5/8	27	-1/4
68 1/4	52 3/4	AMP Inc	1.62	2.4	23	1787	64 1/8	63 1/4	63 1/4	
80 1/4	54 1/2	AMR				126132	63 1/4	61 1/4	63 1/8	+1/4
2 1/8	1 3/8	ARX			16	309	2 1/4	2	2 1/4	+1/8
53 1/2	30 1/4	ASA	2.00	6.4	20	257	31 1/2	31 1/4	31 1/8	
34 1/4	26 1/8	Abbott Lab	0.60	2.0	20	13769	29 1/4	28 7/8	29 1/4	+3/8
13 7/8	10 5/8	Ablutn Pr	0.42	3.7	5	14	11 1/2	11 1/8	11 1/4	+1/4
11 5/8	10 1/8	ACM Gvt In	0.96	8.6		245	11 1/4	11 1/8	11 1/8	
10 1/8	9 1/8	ACM GvOpp	0.79	8.2		31	9 5/8	9 5/8	9 5/8	
9 1/4	8 1/2	ACM Gvt Sp x	0.85	9.6		138	9 1/8	8 7/8	8 7/8	+1/32
11 1/8	10 1/8	ACM Gvt Se x	1.03	9.5		190	10 7/8	10 3/4	10 7/8	
10 5/8	8 5/8	ACM Man	1.08	11.2		76	9 5/8	9 5/8	9 5/8	
12 7/8	9 1/8	ACM Managd	0.99	10.2		114	9 7/8	9 3/4	9 3/4	-1/8
11 1/4	4 3/4	Acme Cleve x	0.40	5.2	14	57	7 3/4	7 1/2	7 5/8	+1/16
6 1/4	3 1/4	Acme Elect			34	66	4 5/8	4 1/2	4 1/2	-1/8
33 1/4	14 3/4	Acuson			12	1894	16 1/4	16 1/8	16 3/4	+1/8
20	16 3/4	Adams Expr	0.48	2.4	1	156	19 3/4	19 1/2	19 3/4	+1/8
49 1/8	39 1/2	Ad Micro	3.00	7.2		317	42 1/2	41 5/8	41 5/8	-7/8
21 1/2	7 1/2	Ad Micro P	3.00	18.9		68360	16 1/2	15 3/4	15 7/8	-5/8
9 1/8	4 7/8	Advest Grp	0.16	2.8	11	30	6	5 3/4	5 3/4	-1/8
42 3/4	33	Aegon ADR	1.35	3.3	7	37	41	40 3/4	40 3/4	-1 1/4
47	36	Aetna Lf	2.76	6.5	11	1606	42 5/8	41 3/4	42 5/8	+1/2
12 1/4	6 3/4	Ahli A	0.24	2.2	14	518	10 7/8	10 1/4	10 7/8	+1/8
34	24	Aflac	0.44	1.4	15	2022	31 1/2	29 3/4	31 1/2	+1 3/4
19 3/8	13	Ahmanson	0.88	5.9		72728	15	14 3/4	14 7/8	-1/8
22 1/2	4	Aileen Inc				91611	5 7/8	5 1/2	5 1/2	-1/8
49 1/2	36 1/2	Air Pr Chm	0.86	1.8	19	2128	48	47 1/4	47 7/8	+1/2
29 1/4	12 1/2	Airbne Frt	0.30	1.5	108	1153	19 7/8	19	19 3/4	

[illegible]

Continued on next page

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NYSE COMPOSITE PRICES

Continued from previous page

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs.

[illegible]

AMEX COMPOSITE PRICES

4 pm close November 2

[illegible]

NASDAQ NATIONAL MARKET

4 pm close November 2

[illegible]

FINANCIAL TIMES Tuesday November 3 1992

AMERICA

Dow rises on unexpected good news

Wall Street

US SHARE prices rose across the board on some unexpected good news on the economy, as investors calmly awaited today's presidential election, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 35.93 at 3,262.21, its high for the day. The Standard & Poor's 500 gained 4.09 at 422.77, while the American SE composite firmed 0.98 to 382.70 and the Nasdaq composite bounced back from early losses to end a net 2.41 ahead at 607.58. Turnover on the New York SE was heavy at 203m shares, while advances led declines by 1,089 to 734.

Prices opened slightly weaker in thin trading, but rose strongly after the National Association of Purchasing Management announced that its index of manufacturing activity had risen from a September level of 49.0 per cent to 50.6 per cent last month, and the Commerce Department reported a 1.3 per cent rise in September construction spending.

Both increases were larger than analysts had expected, and provided some investors with an excuse to purchase stocks. Price gains were further boosted by a round of program buying in mid-morning, and by a further burst of demand in the last two hours of trading.

Otherwise, the political situation remained the dominant influence on the market. The latest polls have shown a slight widening in Mr Bill Clinton's lead over President George Bush, but because the market has fully discounted a Democratic victory the changes had no effect on prices. Many analysts pointed out that the stock market has rallied on the day before 14 out of the last 16 presidential elections.

General Motors rose $1⅛ to $31⅞ after Mr Jack Smith was appointed chief executive of the car manufacturer at a special board meeting in New York.

Citicorp edged $⅛ higher to $16¾, possibly drawing comfort from reports that the Federal National Mortgage Association had agreed to buy $1bn of the bank's mortgages on a non-recourse basis, an indication that credit quality at Citicorp's troubled mortgage unit may be improving.

The Gap fell $1⅝ to $32⅝ in busy trading on reports that analysts at Goldman Sachs had lowered their earnings estimates for the clothing retailer.

US Surgical dropped $3¾ to $64⅝ after Oppenheimer, the broking house, had removed the stock from its recommended list and downgraded it from "buy" to "market performer".

On the Nasdaq market, after opening weaker on profit-taking some leading stocks rallied strongly, including Microsoft, up $⅞ at $89⅝, and Intel, $¼ firmer at $67⅞. Apple, off $¼ at $52¼, and Sun Microsystems, down $1⅜ at $33⅞, remained under selling pressure all day.

Canada

TORONTO stocks were sharply higher in moderately active trading. The TSE 300 index finished 42.9 higher at 3,379.0, while rises outnumbered declines by 319 to 225. Volume came to 29.2m shares.

Nova Corporation, up C$¼ at C$9, reported third-quarter net of 11 cents a share, against a net from continuing operations of 1 cent a year earlier.

SOUTH AFRICA

JOHANNESBURG ended steady ahead of the US presidential election. The overall index closed 1 up at 3,017 and the gold index was unchanged at 815. The industrial index came off an earlier low to end 1 down at 4,012.

EUROPE

Frankfurt left out of the continental upswing

GERMAN equities were left out of the firmer continental trend. Paris was shut for a holiday, but French stocks traded in London were lifted by another cut in interest rates, with the French segment of the Eurotrack 100 adding 1.4 per cent, *writes Our Markets Staff.*

FRANKFURT extended its downturn to a fifth consecutive trading day as another forecast from Bayer illustrated the weakening trend of the German economy.

Bayer, which once expected maintained earnings in 1992 – and only recently forecast a slight fall – said yesterday that its profits would be "clearly below" those of 1991. The shares fell DM8.50 or 3.2 per cent to DM254.50.

Turnover stayed quiet after Friday's DM3.2bn. Other big cyclicals took their cue from Bayer, with BMW down DM11.50 to DM473.50 and Volkswagen DM5.90 lower at DM264.10, and the DAX index dropped another 19.75, or 1.3 per cent to 1,472.57.

Mr Tony Cox of Kleinwort Benson, who had indicated a 10 per cent profit drop for Bayer last week and had hoped for a maintained dividend, thought it wiser now to pencil in another DM2 drop in earnings to DM23.50 a share, from DM28 in 1991, and perhaps a dividend cut from DM13 to DM12 a share. But he was still inclined to believe that German chemicals will enjoy their usual seasonal upturn in the next few months, in advance of the annual dividend season.

In engineering, where profit margins are also threatened by the higher D-Mark, Linde lost DM18.50 to DM661, a two-day loss of DM32.50, while MAN dropped DM7.50 to DM243. MAN holds its annual press conference tomorrow, while Linde is due to report nine-month sales and orders soon.

MILAN was quiet for the first half-hour but then resumed its upward trend on buy orders from domestic funds and from the banks. However, dealers warned that the rally might slow in the next few days on profit-taking or selling linked to the forthcoming call options expiry.

The Comit index rose 7.22 to 446.25 in turnover estimated at slightly less than Friday's high L313.9bn. Financials and telecoms led the market higher.

Fondiaria rose L1,350 or 5.1 per cent to L27,700 while Stet added L28 to L1,480.

AMSTERDAM was lifted by a firmer dollar in the second half of the session. The CBS Tendency index closed 0.3 higher at 102.1.

The stronger dollar helped DSM to recover Fl 2.60 to Fl 79.80 after its recent weakness while Akzo gained Fl 2.50 to Fl 127.80 ahead of its third-quarter results, due today.

Elsevier added another 60 cents to Fl 112.60 following Friday's news of revised merger terms with Reed of the UK.

ZURICH, sometimes accused of slavishly following Frankfurt, continued to assert the independence it has shown this year with a firmer dollar improving sentiment in the industrial segment of the market while banks and insurers were neglected.

The SMI index added 10.5 to 1,921.6 as Roche certificates, SFr50 higher at SFr3,730, topped the active list. Ciba-Geigy registered, SFr4 higher at SFr597, were second.

MADRID closed weak, with the general index 0.69 lower at 197.78. Turnover totalled 7.67 billion pesetas of which the oil blue-chip, Repsol, made up a third.

STOCKHOLM saw strong demand from abroad for Astra. Its A shares were up SKr8 at SKr576, while the B shares rose SKr10 to SKr558. The Affärsvärlden general index rose 6.3 to 713.2 in turnover of SKr454m after Friday's SKr338m.

HELSINKI resumed its rise with the Hex index climbing 6.9 to 758.2 in turnover up from FM58.0m on Friday to FM289.0m. Industrials rose 0.6 per cent and service shares by 2.0 per cent.

ISTANBUL dropped 7.2 per cent on its return from a three-day national holiday, the market index closing 261.92 lower at 3,380.78 on heavy sales after a deposit rate increase by Ziraat Bank, Turkey's largest state-owned bank.

Monthly inflation jumped to a seven-month high of 7.4 pct in September. October figures will be released on Wednesday.

VIENNA's ATX index eased 3.89 to 794.59 in quiet trading. Creditanstalt preferred fell Sch4 to Sch435, unmoved by news the government wants to sell a 20 per cent stake in the company to General Electric of the US; but the ordinaries rose Sch10 to Sch470.

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

November 2 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100†	1026.55	1026.69	1026.26	1027.22	1027.58	1028.75	1030.86	1032.82
FT-SE Eurotrack 200†	1084.95	1085.95	1086.78	1087.48	1089.85	1089.41	1093.21	1095.06

	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26
FT-SE Eurotrack 100	1028.47	1025.26	1028.09	1038.79	1038.16
FT-SE Eurotrack 200	1090.07	1086.76	1091.64	1100.79	1104.46

Base value 1000 (26/10/90) High/day: 100 - 1032.93, 200 - 1097.89 Low/day: 100 - 1025.63 200 - 1084.86 † Part.

ASIA PACIFIC

Nikkei closes at day's high in futures-related rally

Tokyo

SHARE prices closed moderately higher after a futures-related rally, but overall activity remained dull ahead of today's public holiday and the US presidential election, *writes Emiko Terazono in Tokyo.*

The Nikkei average ended 85.96 ahead at the day's peak of 16,853.36, rising for the first time in four consecutive trading days. The index fell to the day's low of 16,616.75 in the morning session on arbitrage unwinding but subsequently rose on index-linked buying by investment trusts.

Volume dropped to 140m shares from 203m, although a UK broker was active in the morning. In spite of the rise in the Nikkei index, declines led advances by 573 to 353, with 157 issues unchanged. The Topix index of all first section stocks put on 1.53 to 1,280.44 but, in London, the ISE/Nikkei 50 index eased 2.62 to 1,029.54.

Arbitrageurs and investment trusts were notable participants, small-lot trading by dealers accounting for activity in speculative theme stocks. Green Cross, the most active issue of the day, fell Y30 to Y1,400 on profit-taking. Meiji Milk Products, another Aids-related stock, slipped Y4 to Y922. However, dealers picked up Sumitomo Chemical, which firmed Y6 to Y475 on the Interferon theme.

Nippon Housing Loan, the largest housing loan company, weakened Y21 to Y312. Companies in this sector are currently restructuring due to a rise in bad real estate loans. Market participants had hoped that the land buying organisation being set up by the banks would help the sector, but plans outlined last week failed to mention the purchase of land held as housing loan company collateral.

Airline issues were depressed by last week's poor results. Japan Airlines fell Y20 to Y584. The company made a Y4.4bn pre-tax loss for the six months to September due to falling business demand for international travel and low growth in tourist travel.

Condominium builders lost ground on prospects of poor sales and increasing inventories, Towa Real Estate Development dropping Y35 to Y343 and Daikyo, the leading condominium developer, retreating Y37 to Y678.

In Osaka, the OSE average declined 51.54 to 18,349.79 in volume of 5.7m shares. Construction and pharmaceutical issues receded on profit-taking.

Roundup

The US presidential election caused some nervousness during a generally active day's trading in the Pacific Basin. Manila was closed for the All Souls Day holiday.

KUALA LUMPUR rose further on strong buying of special situation and index-linked stocks, with the composite index closing 7.75 stronger at a new high of 649.06, in volume of 305.7m shares after Friday's record 237.6m.

Brokers said buying was inspired by a favourable 1993 Malaysian budget unveiled last Friday, but profit-taking was evident as retail investors unloaded some of their positions after last week's rally.

SINGAPORE closed more than 2 per cent higher on strong across-the-board buying led by institutional investors. The Straits Times Industrial index finished 30.54, or 2.2 per cent, higher at 1,417.54 in volume of 133.6m shares against Friday's 133.3m.

DBS Foreign rose 70 cents to S$12.50, while SIA Foreign and Singapore Press Foreign rose 80 cents each to S$15.60 and S$14.40 respectively.

HONG KONG ended firmer after light trading, but with steep initial advances having been trimmed by profit-taking. The Hang Seng index gained a net 40.48 at 6,231.17 after an intraday peak of 6,277.22. Turnover fell to HK$2.57bn from HK$4.17bn.

Blue chip heavyweights such as HSBC Holdings again led the market higher, with the bank appreciating HK$1 to HK$63.50. Second-liners with exposure to China also outperformed, Tung Wing Steel climbing 43 cents to HK$3.32 and Far East Aluminium adding 22 cents at HK$1.65.

BANGKOK recorded its highest close in almost 27 months, as small and medium-sized banks, finance and securities houses and building materials companies gained strongly. The SET index rose 9.86, or 1.1 per cent, to 950.23, the highest since August 8, 1990. Turnover was an active Bt14.97bn.

SEOUL advanced for the seventh consecutive session, although profit-taking put a dent in the rise. The composite index added 6.39 at 631.97 on a turnover of Won678.6bn, compared to Saturday's half-day Won539.74bn. The heavily weighted Kepco went limit-up, gaining Won800 at Won19,200.

TAIWAN extended opening losses to close broadly lower. The weighted index shed 72.22, or 2 per cent, to 3,559.51 in thin turnover of T$7.65bn, after Friday's T$7.23bn. The market was closed on Saturday for a holiday.

AUSTRALIA closed sharply weaker, worried by a fall in local building approvals and the continued weakness in the local dollar. The All Ordinaries index lost 15.6 to 1,410.2 after an opening rally evaporated on news of a 1.2 per cent fall in building approvals in September. Turnover was A$180.4m.

BHP lost the ground it picked up last week and fell 26 cents to a 19-month low of A$10.82. News Corp continued its record-setting rise, advancing 20 cents to A$26.10 ahead of its quarterly results.

NEW ZEALAND closed marginally higher in light trading. The NZSE-40 capital index rose 5.2 to 1,372.01 in turnover of NZ$14m. Lion Nathan remained under pressure, falling another 10 cents to NZ$3.70, on profit worries. The brewer is due to report its annual results tomorrow.

JAKARTA's bank shares surged on the first day they were allowed to be bought by foreigners, raising hopes of a general revival of the market. But the composite index dipped 1.375 to 306.202.

Bank Bali and Bank Internasional Indonesia rose Rp25 and Rp165 to Rp3,275 and Rp3,225 respectively.

Finland and Italy lead the field

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1992	% change sterling † Start of 1992	% change in US $ † Start of 1992
Austria	-1.17	-0.94	-12.86	-9.72	+6.63	-10.95
Belgium	+1.11	+2.88	-1.59	-1.66	+16.08	-3.08
Denmark	-0.09	-4.12	-33.24	-29.52	-15.69	-29.76
Finland	+7.84	+21.94	-6.34	+1.52	+3.33	-13.70
France	-0.80	+2.67	-5.43	-1.31	+17.05	-2.25
Germany	-2.07	+1.29	-6.62	-7.79	+8.55	-9.35
Ireland	-0.84	-1.33	-22.63	-19.30	-5.08	-21.21
Italy	+6.27	+22.58	-8.63	-9.34	-3.42	-21.02
Netherlands	-1.24	-1.11	-0.82	+2.01	+20.32	+0.48
Norway	+1.62	+2.72	-29.02	-17.41	-0.16	-21.86
Spain	-1.35	+6.72	-25.05	-19.61	-15.23	-29.21
Sweden	-2.02	+6.29	-20.37	-9.42	+3.42	-13.62
Switzerland	-0.29	+1.35	+8.92	+11.81	+31.60	+9.90
UK	-0.34	+4.81	+2.09	+6.50	+6.60	-11.06
EUROPE	-0.43	+3.75	-3.88	-0.38	+8.64	-8.27
Australia	-2.73	-4.25	-17.13	-16.20	-8.23	-23.37
Hong Kong	-1.62	+10.23	+52.86	+43.26	+72.61	+44.75
Japan	-1.18	-1.78	-31.04	-24.77	-8.68	-23.73
Malaysia	+3.04	+9.84	+22.13	+16.27	+50.93	+28.04
New Zealand	-1.38	-5.71	-19.51	-18.04	-4.59	-20.33
Singapore	+4.11	+3.86	-6.88	-12.57	+4.60	-12.65
Canada	+2.75	+3.18	-6.83	-6.33	+4.58	-12.66
USA	+1.18	+2.09	+7.03	+0.65	+20.52	+0.65
Mexico	+0.65	+14.17	+14.28	+6.63	+24.13	+3.66
South Africa	-0.77	-6.29	-18.02	-15.76	-26.79	-38.66
WORLD INDEX	+0.08	+1.54	-8.73	-7.58	+7.92	-9.88

† Based on October 30th 1992. Copyright, The Financial Times Limited, Goldman, Sachs & Co.,and County NatWest Securities

By William Cochrane

WEAKNESS in Japan was balanced by a gain in the US, and with Europe broadly neutral the FT-Actuaries World Index came out 0.1 per cent higher last week.

However, among individual markets there was more movement in Europe than elsewhere, Finland and Italy leading the week's winners with gains of 7.8, and 6.3 per cent respectively.

Both markets have seen their domestic currencies devalued this year; Finland also went through the devaluation process in 1991. Foreign shareholders have paid the price, with Finland, in 1992, showing a 1.5 per cent gain in local currency terms but a loss of 13.7 per cent via the US dollar; and in Italy, the loss on 1992 expands from 9.3 to 21.0 per cent.

Ms Deborah Boys, technical analyst at James Capel, notes that before its latest upswing the Hex index of the Helsinki stock exchange had fallen from around the 2,000 mark registered in 1989 to a low of 541 in early September this year, a drop of 73 per cent.

The recent recovery has been exaggerated by the tightness of the market, and by the sheer depth of its earlier decline. Ms Boys says the gains have coincided with improving liquidity, and in higher volume; but the Hex has not yet broken through the current resistance level around the 730 mark, and a correction could be expected.

Italy, too, was looking healthy last week. Market turnover at around L200bn a day was virtually double that of its recent average, says Mr Michele Pacitti of County NatWest.

Since the new Milan stock exchange account started, says Mr Pacitti, the government has suspended capital gains tax indefinitely and cut interest rates. Last week, domestic investors were moved by the subsequent fall in bond yields, and excited by privatisation speculation – specifically about Sme, the food company, but moving on to other privatisation stocks.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY NOVEMBER 2 1992 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY OCTOBER 30 1992 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1992 High	1992 Low	Year ago (approx)
Australia (68)	113.59	-1.7	109.97	88.96	92.60	109.21	-1.3	4.48	115.60	109.69	90.06	92.74	110.64	153.68	113.59	159.46
Austria (19)	145.63	-1.8	140.98	114.06	118.72	118.24	-0.2	2.39	148.30	140.71	115.54	118.97	118.46	186.70	139.27	159.32
Belgium (42)	137.33	-1.9	132.94	107.54	111.95	109.39	+0.0	5.63	139.92	132.77	109.00	112.25	109.39	152.27	135.87	132.98
Canada (114)	120.35	+1.1	116.51	94.25	98.10	108.24	+1.2	3.22	119.02	112.93	92.72	95.47	106.91	142.12	112.97	141.84
Denmark (33)	184.80	-1.5	178.90	144.74	150.65	151.31	+0.0	1.81	187.65	178.05	146.20	150.53	151.28	273.94	184.80	262.94
Finland (15)	66.13	-1.8	64.02	51.79	53.91	68.42	-0.5	2.06	67.33	63.88	52.46	54.01	68.74	89.80	52.84	86.89
France (101)	144.70	-1.6	140.08	113.32	117.95	120.70	+0.0	3.74	147.05	139.53	114.56	117.96	120.70	168.75	144.70	144.86
Germany (64)	103.49	-2.7	100.18	81.06	84.36	84.36	-1.1	2.73	106.36	100.92	82.87	85.32	85.32	139.69	103.49	109.81
Hong Kong (53)	255.52	+0.5	247.36	200.12	208.31	253.60	+0.5	3.51	254.22	241.22	198.05	203.94	252.33	281.46	176.36	168.23
Ireland (16)	129.83	-1.8	125.68	101.68	105.84	108.92	-0.3	4.98	132.21	125.45	103.01	106.06	109.20	173.71	129.83	162.48
Italy (77)	59.42	-0.2	57.52	46.53	48.44	59.56	+1.6	3.49	59.54	56.50	46.38	47.76	58.63	80.86	47.47	70.41
Japan (472)	103.32	-0.3	100.02	80.92	84.23	80.92	+0.3	1.05	103.59	98.29	80.71	83.11	80.71	140.96	87.27	144.15
Malaysia (69)	274.54	+1.7	265.77	215.00	223.79	265.71	+1.8	2.47	269.96	256.15	210.31	216.56	260.97	274.54	212.49	203.02
Mexico (18)	1482.56	+2.8	1435.21	1161.13	1208.58	5059.81	+2.4	1.19	1442.13	1368.38	1123.54	1156.88	4941.53	1789.77	1185.84	1332.32
Netherland (25)	151.77	-1.1	146.93	118.87	123.73	122.30	+0.7	4.63	153.41	145.56	119.62	123.07	121.48	169.70	147.88	143.83
New Zealand (14)	37.39	-0.1	36.20	29.29	30.48	38.03	+0.5	5.95	37.43	35.52	29.16	30.03	37.84	48.52	37.39	49.37
Norway (22)	137.02	-2.2	132.65	107.32	111.70	118.75	-0.7	2.04	140.09	132.92	109.14	112.38	119.55	192.95	136.04	189.19
Singapore (38)	197.24	+2.8	190.94	154.48	160.78	147.70	+3.0	2.23	191.90	182.08	149.61	153.94	143.39	229.63	179.65	202.75
South Africa (60)	147.71	-2.9	142.99	115.68	120.41	145.72	+0.0	3.50	152.18	144.40	118.56	122.08	145.73	263.60	144.29	259.24
Spain (48)	108.57	-2.0	105.10	85.03	88.50	91.66	-0.5	6.53	110.73	105.07	86.27	88.83	92.11	161.72	108.57	154.23
Sweden (31)	155.07	-0.9	150.12	121.45	126.41	135.67	+0.8	2.89	156.46	148.45	121.89	125.51	134.63	200.28	149.69	189.44
Switzerland (60)	109.10	-1.1	105.62	85.45	88.95	94.96	+0.4	2.26	110.31	104.66	85.94	88.50	94.27	122.37	95.99	98.05
United Kingdom (226)	163.34	-0.9	158.12	127.91	133.14	158.12	+1.1	4.64	164.84	156.41	128.41	132.22	156.41	200.07	163.34	180.88
USA (522)	172.60	+0.9	167.08	135.18	140.71	172.60	+0.9	2.96	170.96	162.24	133.22	137.17	170.96	173.39	160.92	158.55
Europe (781)	132.21	-1.3	127.99	103.55	107.79	117.53	+0.4	4.00	134.00	127.14	104.40	107.50	117.01	156.88	132.21	142.29
Nordic (101)	142.00	-1.2	137.46	111.21	115.76	117.13	+0.4	2.49	143.71	136.38	111.96	115.29	116.65	188.52	141.24	187.42
Pacific Basin (714)	108.47	-0.2	105.00	84.95	88.42	86.69	+0.3	1.40	108.70	103.14	84.69	87.20	86.46	141.97	93.70	144.66
Euro - Pacific (1495)	118.07	-0.7	114.30	92.47	96.25	99.13	+0.4	2.58	118.93	112.85	92.65	95.40	98.78	145.21	113.80	144.07
North America (636)	169.34	+1.0	163.94	132.64	138.07	168.22	+1.0	2.97	167.75	159.17	130.70	134.59	166.53	170.49	158.70	157.43
Europe Ex. UK (553)	113.27	-1.6	109.66	88.73	92.36	95.62	+0.0	3.54	115.15	109.26	89.73	92.39	95.53	132.88	113.27	119.40
Pacific Ex. Japan (242)	159.02	+0.1	153.94	124.56	129.65	145.88	+0.3	3.63	158.81	150.69	123.74	127.41	145.41	175.31	149.00	149.61
World Ex. US (1687)	119.29	-0.7	115.48	93.44	97.25	101.15	+0.4	2.60	120.09	113.95	93.57	96.34	100.75	146.91	116.18	145.94
World Ex. UK (1981)	133.77	+0.1	129.50	104.77	109.06	119.62	+0.6	2.53	133.61	126.77	104.10	107.19	118.94	150.58	127.21	146.07
World Ex. So. Af. (2149)	136.37	+0.0	132.02	106.82	111.18	122.79	+0.6	2.74	136.32	129.35	106.21	109.36	122.02	153.05	130.04	148.38
World Ex. Japan (1737)	155.06	+0.1	150.11	121.45	126.43	147.56	+0.8	3.33	154.89	146.97	120.66	124.27	146.46	165.40	151.93	153.18
The World Index (2209)	136.34	+0.0	131.99	106.79	111.15	123.05	+0.6	2.75	136.32	129.35	106.21	109.37	122.28	153.70	130.66	149.10

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